

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Sixth Session
May 3, 2011**

The Committee on Government Affairs was called to order by Chair Marilyn K. Kirkpatrick at 8:30 a.m. on Tuesday, May 3, 2011, in Room 3143 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/76th2011/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:

Assemblywoman Marilyn K. Kirkpatrick, Chair
Assemblywoman Irene Bustamante Adams, Vice Chair
Assemblyman Elliot T. Anderson
Assemblywoman Teresa Benitez-Thompson
Assemblyman John Ellison
Assemblywoman Lucy Flores
Assemblyman Ed A. Goedhart
Assemblyman Pete Livermore
Assemblyman Harvey J. Munford
Assemblywoman Dina Neal
Assemblywoman Peggy Pierce
Assemblyman Lynn D. Stewart

COMMITTEE MEMBERS ABSENT:

Assemblywoman Melissa Woodbury (excused)

GUEST LEGISLATORS PRESENT:

Senator Dean A. Rhoads, Rural Nevada Senatorial District
Assemblywoman Debbie Smith, Washoe County Assembly District
No. 30

STAFF MEMBERS PRESENT:

Susan Scholley, Committee Policy Analyst
Cheryl Williams, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

Kim R. Wallin, State Controller
Janine Hansen, President, Nevada Eagle Forum
Janet Murphy, Budget Analyst V, Budget and Planning Division,
Department of Administration
Carole Vilardo, President, Nevada Taxpayers Association
Vishnu Subramaniam, Chief of Staff, American Federation of State,
County and Municipal Employees, Local 4041
Patrick T. Sanderson, representing Laborers' International Union,
Local 872

Chair Kirkpatrick:

[Roll taken.] For the Committee, last week we talked about the committee to review regulations. Assemblyman Stewart and I are on that committee on Thursday morning, so those of you who want to see how that process works, you are more than welcome to watch. The meeting starts at 8 o'clock in Room 2135, and you can actually see how the regulations are reviewed. I think we have about 20 regulations. You will be able to see the legislation that was passed last session and how that regulations process is gone through, and we will go over the regulations. There is a full joint subcommittee of the Senate and the Assembly that reviews those regulations. If anyone is interested, we will not be having Assembly Committees on Government Affairs or Taxation on Thursday.

I know some of you were interested in seeing how that process works. It is very fascinating. By watching those regulations, I decided I wanted to get on that committee, and that is exactly how I started.

With that, we are going to open the hearing on Senate Bill 74 (1st Reprint).

Senate Bill 74 (1st Reprint): Changes the designation of certain state funds and accounts. (BDR 31-397)

Chair Kirkpatrick:

Ms. Wallin we are going to start with your bills. You have Senate Bill 74 (1st Reprint) and Senate Bill 81 (1st Reprint), correct?

Kim R. Wallin, State Controller:

That is correct. In Carson City is Mary Keating, my American Recovery and Reinvestment Act (ARRA) Reporting & Accountability Officer, just in case we have any additional technical questions on these bills.

I will start with S.B. 74 (R1). This bill basically brings Nevada's laws into compliance with the Governmental Accounting Standards Board (GASB) rules. The Governmental Accounting Standards Board recently came out with a new rule called GASB Statement No. 54. This rule has redefined what a special revenue fund is. To be a special revenue fund, the major part of your funding source has to come from nongeneral fund sources.

All the funds that we have in S.B. 74 (R1) do not meet the qualifications for being a special revenue fund. As State Controller, I have the option to comply with state laws or what is known as generally accepted accounting principles. Since our audit opinion is based on our compliance with generally accepted accounting principles, I will always comply with them. So, what we are doing is to get us in compliance with the generally accepted accounting principles.

Are there any questions?

Chair Kirkpatrick:

Does the Committee have any questions? I would like to refer to one section so you can give us some insight. So, section 10 said that the Nevada Cultural Account which used to be a special revenue fund is now specifically in the State General Fund?

Kim Wallin:

That is correct, because it gets a funding source from the General Fund. It does not get all money from fees and outside charges. What that does is, as far as GASB is concerned, it is not part of the General Fund. It will still be handled exactly the same way it was. It just means that the language is in compliance with the generally accepted accounting principles.

Chair Kirkpatrick:

Are there any questions? I am a little confused on what you said. That sounded the opposite of what you said the first time.

Assemblywoman Pierce:

Now I am confused. This basically takes all of these things that we have always had called funds and makes them accounts within the General Fund.

Kim Wallin:

Yes, that is correct. It does not change how they are treated, it is just what we call them. I mean all the rules that apply to them are still the same. It brings it into compliance with the generally accepted accounting principles.

Assemblywoman Pierce:

There is not a part of this where it makes it easier to grab money out of all these accounts than it used to be because they were funds, or anything like that?

Kim Wallin:

No, it does not, because all the rules that go with them still go with them. On section 10, line 23, it says, "The money in the Account must be used to augment and must not be used to replace or supplant any legislative appropriations to the Division." It also says on line 26, "Except as otherwise provided in subsection 4, the Account is a continuing account without reversion," which means it does not go back to the General Fund. All those things are still in play on how they are treated. We just do not call it a special revenue fund because it is not a special revenue fund anymore.

Assemblywoman Pierce:

Can you explain to me why GASB does not like funds, but loves accounts?

Kim Wallin:

To your question what GASB did here, it redefined the definition of a special revenue fund. Before it was pretty broad, a special revenue fund was a fund that if you got money from outside of the General Fund, no matter how little it was, it was a special revenue fund, and GASB came through and said, really that is not true. A special revenue fund needs to have the major funding sources coming from outside of the General Fund. The reason that we use "account" is because an account is part of the General Fund; it is our accounting terminology for that. You do not have a fund within the General Fund. You have an account.

Assemblyman Ellison:

The language that you are talking about is pretty minor, but the problem is an "and" or an "or" can change the whole process in any bill. During the process of this, did you go to the Office of the Governor and make sure that this is in line with what they are doing along with the other agencies?

Kim Wallin:

Let me back up. Basically, whether we pass this law or not, I do not have to follow what it says in the *Nevada Revised Statutes* (NRS). I follow GASB because my statute allows me as Controller to follow the NRS which is state law, or follow generally accepted accounting principles. Because our Comprehensive Annual Financial Report (CAFR) is based on generally accepted accounting principles, I follow generally accepted accounting principles. It does not make sense to have rules on the books that we do not follow.

Chair Kirkpatrick:

I think when you said you are above the law that drew some red flags. Currently there are some 430-odd budgets, correct?

Kim Wallin:

Correct.

Chair Kirkpatrick:

This would still give the accounts all a number, right?

Kim Wallin:

That is correct. They would still all have their same account numbers as well as everything else.

Chair Kirkpatrick:

So they still have all of that information, but by changing the name that allows the process to be streamlined more. It seems like it might be a little more transparent. And I picked section 10 because that is the Nevada Cultural Fund. We always seem to hear about the Cultural Fund, at least in this Committee, and I thought it would be the easiest one to use to try to help people understand. So, in section 10 it talks about the Cultural Fund and the Cultural Fund sometimes does get outside donations and sometimes does get appropriations and one shot monies, but they still do have a General Fund account, correct? Now all this will go through the General Fund account as opposed to having those other options.

Kim Wallin:

As far as the accounting for it, it is all going to be part of the General Fund, but it does not revert back into the General Fund. So if they have any money left over, it does not revert back.

Chair Kirkpatrick:

Currently, within some of our other General Fund accounts at the end of the biennium if they have extra money left over, that money automatically goes back into the General Fund for purposes of the next biennium budget, correct?

Kim Wallin:

That is correct, unless there are specific provisions as in these accounts in the bill that says it does not go back.

Chair Kirkpatrick:

Okay.

Kim Wallin:

To give you an example, for my budget account, any money that I have left over goes back into the General Fund.

Assemblyman Goedhart:

I am trying to get up to the nuances of this bill. From what I understand so far, it does not really change anything operationally. Rather, it gives a name change from a special revenue account to an account within the State General Fund that is still segregated and firewalled in its own little special account within the State General Fund. Is that correct?

Kim Wallin:

Yes, that is correct.

Assemblyman Goedhart:

The new definition of a special revenue account was changed, necessitating this change, and the definition of a special revenue account is now something that derives the majority or all of its revenue from outside the normal General Fund revenue stream.

Kim Wallin:

It derives the majority of its revenue from outside of the General Fund.

Assemblyman Goedhart:

Would you say a majority is at 50 percent plus 1, is it 80 percent, or is it over a period of number of years where the aggregate is averaged?

Kim Wallin:

It actually goes year by year, and so it is basically over 50 percent. So yes, over 50 percent.

Assemblyman Goedhart:

So it is just a simple majority, 50 percent plus 1 cent.

Kim Wallin:

Yes. Correct.

Assemblyman Goedhart:

So depending on the different levels of the different revenue streams, you could have an account that is a State General Fund account one year and is indeed a special revenue account in another year, depending upon where those monies came from.

Kim Wallin:

The ones that we picked out here are ones that historically have not even hit the 50 percent or higher threshold.

Assemblyman Goedhart:

But it could be conceivable?

Kim Wallin:

Theoretically it could be, and in that year then that is the year we do not follow the statute, we then follow GASB.

Assemblyman Goedhart:

So, you have to look year by year to see where the components of the different funding came from and see whether or not to call it a State General Fund account or a special revenue account. Is that correct?

Kim Wallin:

That is correct; GASB Statement No. 54 has really increased the workload in our office because of this.

Chair Kirkpatrick:

Assemblyman Ellison does that make you feel better? I am far from an accountant, but I am starting to get it. Are there any other questions?

Assemblywoman Bustamante Adams:

Can you tell me what accounting principles were used prior to this? I think what I heard you say was that we just adopted this standard. Is that correct?

Kim Wallin:

To answer your question, we have always followed generally accepted accounting principles prior to this. This is a new standard that the Government Accounting Standards Board has just come out with that we have to implement and adopt.

Assemblyman Stewart:

This is difficult for me to understand, but I have grown to trust Ms. Wallin over the last six years, so I can go along with this. My question is, on pages 2 and 3, why did we single out disaster relief to put in there? Can you please enlighten me on that? Why only disaster relief?

Kim Wallin:

Disaster relief, again, is another account that gets its money from the General Fund. It does not get more than 50 percent of its funding from outside of the General Fund, so we did not really single it out. That is just one of the many accounts that we have in there. We have the Disaster Relief Account, the Cultural Affairs Account . . .

Assemblyman Stewart:

So all the other accounts are contained in the rest of the bill, is that correct?

Kim Wallin:

That is correct. Those do not meet the definition of a special revenue fund.

Chair Kirkpatrick:

Are there any other questions? I have a question on the disaster relief fund because we do use that term on local government, especially where it states "Account to Stabilize the Operation of State Government." At least on the local government level, the disaster relief fund means something of great magnitude that is going to have an impact, like a spillage, or an emergency. So when we talk about the Account to Stabilize Operation of State Government that seems broader. Did the definition change at all?

Kim Wallin:

It really did not change the definition of stabilization and of what a disaster relief fund is. A disaster relief fund is not a special revenue fund. We were calling it a special revenue fund, but it is not a special revenue fund because funding comes from within the General Fund along with people who make gifts in the event of a disaster—people can make donations to that fund. But, it did not change the purpose of the fund; it did not change what the fund does or anything like that. As far as the local governments go, each local government is a little bit different. If their disaster relief funds come from funding from the

state, then that is coming from a source outside of their own special general fund. I cannot answer for the local governments, but as far as the state goes, the purpose of and the intent of the disaster relief fund did not change at all.

Chair Kirkpatrick:

Are there any other questions? Was there any opposition on the Senate side?

Kim Wallin:

No, there was not.

Chair Kirkpatrick:

Is there anyone in northern Nevada who would like to testify in support of S.B. 74 (R1)? [There was no one.] Is there anyone in southern Nevada that would like to testify in support of S.B. 74 (R1)? [There was no one.] Is there anyone in opposition? [There was no one.] Neutral? [There was no one.] Do you have any final words?

Kim Wallin:

No, Madam Chair.

Chair Kirkpatrick:

We will close the hearing on S.B. 74 (R1) and open the hearing on Senate Bill 81 (1st Reprint).

Senate Bill 81 (1st Reprint): Makes various changes relating to state financial administration. (BDR 31-396)

Kim Wallin, State Controller:

Senate Bill 81 (R1) is what I call my financial bill. It has two main provisions in it. Sections 4 through 7 are amendments to *Nevada Revised Statutes* (NRS) Chapter 353C. Sections 8 through 11 amend NRS Chapter 227. Section 4 through section 7 clean up the statutes of limitation area and make them more consistent with NRS 353C. In this section some of the statutes of limitation are five years, some are four years, and some are six years; and we want to use four years because some of the other statutes of limitation have been changed to four years as well. We want to start to get a consistent standard throughout the state and not have the confusion of what the statute of limitation is for certain areas.

Section 8 through section 11 which amend NRS Chapter 227 will make it mandatory if you are a vendor of the state to be paid electronically. We would grant an exemption if you are unbankable or if it causes a financial hardship or if you are receiving a one-time payment.

We estimate that this will save a minimum of \$142,000 per year. Each check we print costs us about 56 cents and we process approximately 255,000 checks on an annual basis. Do you have any questions?

Chair Kirkpatrick:

I have come to the conclusion that you never just have a one-page bill. This bill is much better than Assembly Bill No. 87 of the 75th Session. Are there any questions? [There were none.] Is there anyone in northern Nevada who would like to testify in support of S.B. 81 (R1)?

Janine Hansen, President, Nevada Eagle Forum:

I did have some serious concerns about this bill in the Senate. It was amended, and I want to thank the Controller for cooperating and working with us. I am no longer opposed to this bill. We appreciate her efforts to save the state money.

Chair Kirkpatrick:

Is there anyone else who would like to testify in support? [There was no one.] Is there anyone who is in opposition of S.B. 81 (R1) in the north or the south? [There was no one.] Is there anyone who is neutral on S.B. 81 (R1) in the north or the south? [There was no one.] Do you have any last words?

Kim Wallin:

No, I think I have done enough this morning.

Chair Kirkpatrick:

With that, we will close the hearing on S.B. 81(R1).

We will stand in recess while we wait for the next bill sponsor.

[Recess called at 8:54 a.m.]

[Recess over at 9:08 a.m.]

We are opening the hearing on Senate Bill 73 (1st Reprint).

Senate Bill 73 (1st Reprint): Makes various changes concerning state financial administration. (BDR 31-427)

Janet Murphy, Budget Analyst V, Budget and Planning Division, Department of Administration:

Mr. Clinger apologizes; he had a conflict and was not able to make it. Senate Bill 73 (R1), section 1 and section 3 allow the Clerk of the Board to

designate an authority to approve stealth claim payments and payments from the contingency fund.

Section 2 and section 5 remove the thresholds and conditions prescribed in the existing law for the Interim Finance Committee (IFC) and allow, with the recommendation of the Chief of the Budget Office, the Senate Fiscal Analyst, and the Assembly Fiscal Analyst, to establish the criteria for work program thresholds with the approval of the IFC and the Board of Examiners.

Section 2.5 of the bill revises the requirement for positions that are changing occupational groups to be approved by the IFC. It would only require those positions that are increasing in salary to be approved by the IFC.

Section 4 increases the threshold amounts for the acceptance of gifts and grants for agencies to \$500,000. With that, I will take any questions that you may have.

Chair Kirkpatrick:

Let me clarify. This is the bill that the Office of the Governor has been talking about because we had so many other bills out there. This is their bill, correct?

Janet Murphy:

Yes, that is correct.

Chair Kirkpatrick:

Okay, are there any questions?

Assemblywoman Pierce:

I have a number of questions. On the first part where the clerk gets to designate another person, can you explain what the problem is that this is solving?

Janet Murphy:

The problem is the volume of work that is required of the clerk to approve. So the clerk would designate either the supervisory analyst or the deputy director to handle some of that work, which is the stealth claims and requests from the contingency fund. It really is just the volume of work that crosses the clerk's desk.

Chair Kirkpatrick:

Currently, Mr. Clinger is the clerk?

Janet Murphy:

Yes, Mr. Clinger is the clerk.

Chair Kirkpatrick:

So, currently the way that the Board of Examiners has worked is the budget person is the one who actually goes through and passes all these off, so he would just have his next person underneath him do that, correct?

Janet Murphy:

Yes, that is correct. Currently in our office the budget analysts review these requests that come from the agency and submit them up through their supervisor. Then once the package is completed, we submit it up through the clerk. It just streamlines it.

Assemblywoman Pierce:

Okay. In section 2 and also later on where this language appears again, it seems to me that the criteria that you are talking about is in the language of the bill. I do not understand what additional criteria you want to be established. I do not understand what happens. So all of these requests now have to go to this group, and this group figures out whether they meet this criteria?

Chair Kirkpatrick:

If you could, go through the work program process, because I believe that this is trying to streamline the IFC. When I sat on the IFC, where I am an alternate, we tended to have agencies sitting there for hours on end waiting for them to process each work program. My understanding was they were going to try to expedite it because it is really not efficient to have 50 different agencies sitting there until their item comes up.

So, if you could, go through the work program. I am not sure, but I believe that was the discussion when I served on the IFC.

Janet Murphy:

The work program process is an agency submits its work programs to change its budgets. In statute there is a set threshold whether or not those work programs are required to go to the IFC. The threshold right now is if it is over \$20,000, and the request changed either increases the category by \$50,000 or 10 percent, they must go to the IFC. What this bill changes is it now allows the Chief of the Budget Division, Mr. Clinger, to work with the analyst from Fiscal to develop the criteria to streamline so maybe they will be able to increase those thresholds if needed. That will help the number of work programs that go to the IFC, and still ensure IFC has the ability to approve the major work programs and the major changes to the programs.

Again, as the Chair indicated, the IFC has a lot of work programs that end up going to the Interim Finance Committees, and the agencies do need to stay and a lot of times those meetings last most of the day for a work program change.

So, this allows the thresholds to be set in the Nevada Administrative Code instead of being set in statute, and also allows some flexibility for those thresholds.

Chair Kirkpatrick:

Are there any other questions?

Assemblywoman Pierce:

I have to think about this part: "Must require such approval if the proposed revision of the work program could potentially conflict with the intent of the Legislature in approving the budget for the present biennium or in originally enacting the statutes which the work program is designed to effectuate." I need to think about that some more.

Can you also . . . I do not understand this change of occupational . . .

Chair Kirkpatrick:

Can we let Assemblyman Anderson ask his question and then we will come back to you?

Assemblyman Anderson:

I understand that we are talking about setting up a process, but the actual term, "work program." What is that?

Janet Murphy:

A work program is a budget document that the agencies submit when they need to change their legislatively approved budget. Maybe they received a new grant that was not in their legislatively approved budget, so they submit a work program to make that change.

Chair Kirkpatrick:

I actually have copies of the work programs in my office from the ARRA funds, because we created new things. If you would like to see an example, I am happy to show you one. They pretty much have to follow tight scrutiny of what they can and cannot get.

Does anyone else have any questions?

Assemblywoman Neal:

In section 5, paragraph 2, can you give me an example of where it says, "The criteria established must require such approval if the money from the block grant is to be used for a purpose that could potentially conflict with the intent of the Legislature in approving the budget for the present biennium or in enacting the states governing the powers and duties of the state agency, commission or department." Show me how that would work, and what would that situation be?

Chair Kirkpatrick:

I think that is the same language that there was concern on the other one. I think that the concern from the Committee is—and I do not want to speak for you, Ms. Neal—when we do not match and we cannot agree, how do you determine putting a process in place to come to an agreement, because that is what that language says. Maybe you could get the answer to Ms. Neal's question.

Janet Murphy:

May I get the answer later because I need to speak with Mr. Clinger for the intent?

Assemblywoman Pierce:

I do have questions about section 5, the same as my colleagues. The other thing that I had a question about was in section 2.5. Can you explain the situation which changes a position from one occupational group to another? Can you describe what that means?

Jane Murphy:

Sure. Sometimes the agencies want to reclassify a current position. It may be in an occupational group for fiscal, but they want to reclassify it to an administration occupation group. The Department of Personnel has different occupation groups, and when they cross over it requires IFC approval. That change just states that the only time it would require IFC approval is when the cost exceeds the current cost for the position, so there is a cost increase. Sometimes they can move between class codes and there is no change in salary, and sometimes there is a decrease in salary. And this section requests that the only time the IFC would consider these changes and occupational groups is when there is an increase in cost.

Assemblywoman Pierce:

In section 4, subsections 5(a) and 5(b), when was the last time those numbers were changed?

Janet Murphy:

Regarding the gifts and grants?

Assemblywoman Pierce:

Right.

Janet Murphy:

I will have to get back to you. I believe it has been some time since we have changed those amounts. I do not know the exact date.

Assemblywoman Pierce:

Okay, thank you very much.

Chair Kirkpatrick:

Are there any other questions? I would like to clarify one thing on the classifications or changing the positions. You still need Legislative authority for the employees to go in and change from classified to unclassified, correct?

Janet Murphy:

Yes, we cannot change a position to an unclassified position. It requires Legislation to do that with the unclassified pay bill. This would be just in the classified system.

Chair Kirkpatrick:

Okay, I just wanted to make sure.

Assemblyman Anderson:

I also wanted to ask about section 2.5. I understand your intent because if we are saving money, we feel good about it. But, what if there is a situation where some employee was going to lose salary by an action, and we wanted that employee to have that salary? Would that go around our intent if that was the case?

Janet Murphy:

I believe in personnel rules if we reclassify a position to a lower salary, and if that position is currently filled, the current incumbent retains his current rate as what they call, "grandfathered." It is a period of time of two years. It is in the regulations for the Department of Personnel to protect the positions.

Chair Kirkpatrick:

Are there any other questions? [There were none.] And you will get that information to us in the next couple of days?

Janet Murphy:

Yes, on those two items.

Chair Kirkpatrick:

At this time, let me see if there is anyone who would like to testify in support of S.B. 73 (R1)? [There was no one.] Is there anyone who is neutral? [There was no one.] Is there anyone who is in opposition? [There was no one.] With that, we will close the hearing on S.B. 73 (R1), and we will open the hearing on Senate Bill 286 (1st Reprint).

Senate Bill 286 (1st Reprint): Revises provisions governing the Merit Award Program. (BDR 31-980)

Senator Dean A. Rhoads, Rural Nevada Senatorial District:

I have been in the Legislature for 28 years, and I have observed government working at all levels. There is no incentive for a government person to save money. I do not know how many times I have sat at a bar or coffee shop with a government employee and he tells me, "I have \$32,000 I have to spend, because if I do not spend it, next year they will take it away from me."

Along with Assemblywoman Debbie Smith we came up with this bill. She had the same idea. I have had this bill in the legislative process for eight years, four different sessions.

[He read from PowerPoint presentation through page 4 ([Exhibit C](#)).]

I would now like to turn it over to Assemblywoman Smith.

Assemblywoman Debbie Smith, Washoe County Assembly District No. 30:

I am happy to be cosponsoring this legislation with Senator Rhoads. As he said, he has had a bill in a few different sessions for this, and we have made up our minds that this is going to be the session for this bill. I was happy to give up my bill so that we could work on this bill together.

As the Senator said, we all know that the state employees really are the people on the ground and in the trenches who have the good ideas. I too meet with state employees on a regular basis, and they are full of ideas to help us solve the budget crisis. Those of you who have been here before know they are the ones that helped us get through the crisis in the last couple of sessions as they recommended places to cut and how we can save money. So, I am excited about the idea that we actually reward them for their good ideas and their savings. They are a great group of state employees. We have thousands of

people out there every day who know better than anyone how things work and how we can save money.

I have personally had one experience with a state employee who came to me with some information before the last special session, and I know it has resulted in millions of dollars in savings because of the way we are auditing some particular accounts now. I think it took a vendor out of business because of the way we were paying bills, and it was no longer profitable for that person. It is high time that we have a serious program that can reward people for serious savings to the budget.

As the Chair of the Assembly Committee on Ways and Means, I am very particular about the fact that this has to be a true savings. It cannot cost the state any money to do this. So, the bill is carefully laid out so that we would know that the savings exist before anyone is ever given an award, and this is why a former employee could be given an award. The person could have left state service by the time we actually are able to document the savings that the employee came up with.

How this program would work . . . [She read from PowerPoint presentation, beginning at page 5 ([Exhibit C](#)).]

Again, this could be a long process for a state employee to actually earn the award, but it is really important that we make sure that it is validated and that the savings are realized. Theoretically it could take a few years for the savings to be realized.

You could have a serious proposal that could save hundreds of thousands or millions of dollars. In that case it would be well worth the wait for someone to see those savings realized.

[She continued to read from ([Exhibit C](#)) starting at page 6.]

These ideas are working in other states, and while we have had a small program for our employees currently, this is designed for people to really come up with bigger ideas that truly result in savings. It is not about just acknowledging someone for good work. It is about rewarding someone for great ideas and trying to incentivize those great ideas.

Chair Kirkpatrick:

Does anyone have any questions?

Assemblyman Livermore:

I do have some experience with this as a local government official. Carson City has had this process for some years, and it is working. Some of the savings come from the people who actually do the physical work. The case that I remember was a water billing issue where there was a recommendation for a process of converting the billing to a different way to save some substantial monies in that process. The employees have hands-on experience and deal with this day after day. Policymakers had no idea how you could save in those departments, but they did. It was implemented, and the reward was given. In most cases, the reward stayed within the department. You could see where they invested, not only in training as Senator Rhoads talked about, but in new equipment like new computers, some upgraded office furniture. It was a worthwhile program that I highly encourage, and hopefully we can adopt this and make this law, because it is a great process.

Chair Kirkpatrick:

Thank you.

Assemblyman Ellison:

I like it when something comes out of the Senate with a 21-0 vote. One of the questions that I have is, say somebody has an ending fund balance. Usually they try to keep that amount at the end because they do not know what the next year will be like. But say they come back in and say, look we can actually get by without 20 percent instead of carrying it over or spending a lot of money at the end of the year. Would they qualify for something like the award?

Senator Rhoads:

Each agency has a reserve that they have to carry over, and anything over that then is probably money that would be eligible to spend for computers, and so forth. But, many agencies do not have a reserve, or the reserve is above and beyond what it normally should be and that is the money that they try to spend quickly in the last 30 days. This would allow them to come up with an idea that they can do things better and quicker; therefore, they would get a bonus.

Assemblyman Ellison:

I think it is a great idea and it puts it to the individual versus buying some new things for the office. I think it shows merit. I would like to see a tracking through the years that shows where this benefits. I think you would be surprised at the results this might produce.

Chair Kirkpatrick:

Assemblyman Ellison, you will be here so you can ask for a report and an update for the next six sessions.

Assemblywoman Smith:

On the idea of just indicating that they would not use part of their money, that to me is part of their usual responsibility. In my mind, no one should be going out there and spending money just to spend money. I do not care that it is normal procedure. I am offended by that idea, so the point here would be that they should not be trying to spend any money that might be reverted because it is General Fund money and it is taxpayer money. It is money that has been allocated to them for a certain use. The point here would be, if they come up with a good idea, there is another way for their department to be able to retain some savings for a reasonable purchase or for some additional training. It should not be about business as usual. This is about coming up with new ideas that will save money that will allow them to then keep some of their savings generated.

Assemblyman Ellison:

I totally agree. I have seen departments through the years that say, "Look, I have \$20,000 I have got to spend by the end of the year, or they will probably look at the beginning fund balance and reduce me." So, they try to get rid of that money, and try to make it look like they actually used it through the year. I think this a check and balance. I think that you will see at the end of the year that you will save quite a bit of money because now it gives them an incentive to look at ways to save and give them ideas and come up with brighter ideas. There is always a new light bulb out there to be reinvented, and they are not the twist bulbs either.

Assemblywoman Smith:

Absolutely, we have a lot of smart people out there working for us every day.

Chair Kirkpatrick:

Are there any other questions?

Assemblyman Stewart:

It is good for me to look down at the table and see a Republican Senator and a Democratic Assemblywoman working together for the benefit of the state. I hope the press takes notice of this. Thank you.

Assemblywoman Smith:

I will say, Madam Chair, that when we presented this in the Senate, it was so well received I realized that I am going to do every bill this way in the next session because it was a very good feeling.

Chair Kirkpatrick:

Are there any other questions?

Assemblyman Livermore:

I am sitting here thinking. In fact, there was another process approved for the Carson City street department crew. They were crack-sealing the cracks in the street. They invented a new means and method of doing that which saved some substantial amount of monies and increased the ability to crack-seal a huge number of streets in a shorter time. I remember that we gave an award to the whole crew.

Empower your employees to think and rethink how to accomplish their job at a better technical ability. Turn them loose, if you want to use that phrase, and let them have their imagination with that. I think that is a good thing to do.

Senator Rhoads:

This bill also applies to a group where four or five people get together and get a good idea that would save some money or do some services better. They can do it as a group.

Assemblywoman Smith:

You are absolutely right, Mr. Livermore. Certainly in this environment we are in a tough budget time, and we are not able to do things for our employees. We have a laundry list of things on the table, in fact, to take from our employees in this budget. This is really an opportunity to be able to acknowledge those great ideas and reward them going forward. I feel good about doing this for our state employees and acknowledging their bright ideas. You know they do this every day, so let us reward that.

Chair Kirkpatrick:

Are there any other questions?

Assemblywoman Pierce:

I like the bill, but I do want to say that public employees do, in fact, have an incentive to improve things because they are taxpayers. They essentially pay their own salaries. As someone who has only worked in the private sector, never for the government, I can say that in the private sector there are many, many lower level employees, no one ever asks them anything, no one pays any attention to them, and no one thinks they are smart enough to have any ideas. That is how it is in the private sector. I imagine that happens in the public sector often also.

Assemblywoman Smith:

You are absolutely right; they are coming up with these ideas every day and implementing the ideas every day. We absolutely know that in our budget cutting environment, it is our employees who are coming up with the ideas of

the ways to help balance the budget and to be more efficient. When you see a Governor's recommended budget, that is coming from people in the trenches who are coming up with solutions and ideas. It is just that we have not been rewarding any cost-savings ideas in the past to this degree.

Chair Kirkpatrick:

Are there any other questions?

Assemblyman Goedhart:

For the record, I think it is an excellent bill. It seems very well crafted. Were you able to use some other bills from other states as a template to help develop this?

Assemblywoman Smith:

Yes, we did. I will acknowledge one of our staff members, Riley Sutton, who is here in the front row who has done a ton of research and worked with both Senator Rhoads and me in getting this bill together. Virginia was the state where we took the most from to come up with the ideas. We tried not to make it as complicated because complication to me just made it feel more bureaucratic and more difficult to implement.

Assemblyman Goedhart:

Has that been in effect long enough in that state to give an idea of what type of savings were able to be realized?

Assemblywoman Smith:

I cannot quantify those today, but I believe that, yes, it has.

Assemblyman Goedhart:

Also for the record, there are some private companies that have embraced this type of idea. In western Michigan they have Steelcase, Herman Miller and Haworth, as well as, Donnelly Mirrors. All have gone down the route of empowering employees to look for savings, increase efficiencies, and rewarding them with a portion of the savings. In those industries and those specific companies, it seems to have worked out very well for them. Thank you.

Chair Kirkpatrick:

Are there any other questions?

Assemblywoman Bustamante Adams:

I just want to respond to Assemblyman Ellison. On page 5, line 25, I know that there is a reporting process to make sure that they keep track of the

suggestions and which ones are adopted and how much money is saved. Even though it goes to the IFC, there is a tracking mechanism in place.

Chair Kirkpatrick:

At this time, I have a couple of people who are signed in as in support who would like to testify.

Assemblywoman Smith:

We had to take a break from our Committee so that the two of us could leave, so the sooner the better.

Chair Kirkpatrick:

We will be very quick.

Carole Vilardo, President, Nevada Taxpayers Association:

I think we have supported a version of this bill every time it has been introduced. I will agree with Assemblywoman Smith and with Senator Rhoads. This is the simplest bill and, I think, the most effective that I have seen. So the work that was done by staff, the Senator, and Assemblywoman, I think is outstanding.

I would like to take the opportunity to thank the Assemblywoman and Senator because in my impression of reading bills, there have been more duplicates that I have seen that are line for line and they are a waste of money, and interestingly enough this is when we are talking about saving money.

For two parties, two houses, to get together on a bill instead of duplicating bills. I think in itself should get an award.

We do recognize that baseline employees are the most valuable asset we have. In 1997 we created the Cashman Good Government Award. Unfortunately we are not in a position to give money, but I know the applications we get in, and two years ago it was the Nevada Department of Employment, Training and Rehabilitation (DETR) that received the award for demonstrated savings of \$7.5 million a year. That was on changing the process of how you make unemployment payments.

We have the Department of Transportation as a winner. We have had Washoe County and the Clark County School District. We only give one award, but we do acknowledge the finalists. It is impressive to see what these employees come up with and what they can do. The idea that we are finally going to recognize them with a monetary award is outstanding, and I feel comfortable that you will process the bill as quickly as possible.

Vishnu Subramaniam, Chief of Staff, American Federation of State, County and Municipal Employees, Local 4041:

We would like to thank Senator Rhoads and Assemblywoman Smith for introducing this bill. We are in support of S.B. 286 (R1). Although this bill is part of the Merit Awards Program, this bill is really about cost savings and efficiency. No one is more familiar with the operations of the state government and their agencies than state employees. They are the most familiar with how services are provided and how to save money in their various agencies.

This bill provides greater financial incentives to find cost savings measures, and in order for these financial incentives to be paid, money must be actually saved. This is not simply a bill for giving ideas or suggestions but actually implemented cost-savings ideas. We support this bill because it saves money in state government, rewards employees, and passes on the savings to taxpayers in the state. Thank you.

Chair Kirkpatrick:

Thank you.

Patrick T. Sanderson, representing Laborers' International Union, Local 872:

I would like to compliment Assemblywoman Smith and Senator Rhoads. This is not the first time that we have tried to get this to happen. In real life, it is the working people out there that come up with the ideas to save money in everything. You can go to breakfast in the morning with someone who you work with. You can go to a bar at night, and it is always a bigger savings at night in the bar, but no matter where you go there is common sense in talking to the people that work and coming up with better ideas.

I worked construction all of my life, and I found out at a young age that when you ask the question, "How come you do not do it like this?" You are told, "Shut up, I do not want listen to this." I never ever forgot this. I worked construction 45 years of my life and I always looked for a faster, safer, better way to do things. I took pride in what I did and tried to do the job better, and by talking to your hands and the people that work for you, you found those things out with simple ideas. This is a wonderful bill, and I hope it moves forward.

Chair Kirkpatrick:

Is there anyone else that would like to testify in support of S.B. 286 (R1)? [There was no one.] Is there anyone that is in opposition? [There was no one.] Is there is anyone that is neutral? [There was no one.]

Senator Rhoads, Assemblywoman Smith, do you have anything else? We will close the hearing on S.B. 286 (R1).

Assemblyman Stewart:

I would like to follow the suggestion of Ms. Vilardo and reward this rewarding bill, if you would take a motion, Madam Chair.

Chair Kirkpatrick:

I typically do not do that, but I will change my rules today and we are going to take a motion.

ASSEMBLYMAN STEWART MOVED TO DO PASS
SENATE BILL 286 (1ST REPRINT).

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

Is there any further discussion? I will just say that this truly does bring morale for the employees. It brings cost savings, and I do not want to take the chance of the bill not making it to the Governor's Office this time. With that, all those in favor, say "Aye."

THE MOTION PASSED. (ASSEMBLYWOMAN WOODBURY WAS
ABSENT FOR THE VOTE.)

At this time, is there any public comment? [There was none.]

There is just one more thing that I want to talk to you about. You all wear two hats, and I want to tell you that you have all done a fabulous job.

With that, meeting adjourned [at 9:53 a.m.].

RESPECTFULLY SUBMITTED:

Cheryl Williams
Committee Secretary

APPROVED BY:

Assemblywoman Marilyn K. Kirkpatrick, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Government Affairs

Date: May 3, 2011

Time of Meeting: 8:30 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
S.B. 286 (R1)	C	Senator Rhoads/Assemblywoman Smith	PowerPoint Presentation