

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

**Seventy-Sixth Session  
February 11, 2011**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government was called to order by Chair Marcus Conklin at 8:02 a.m. on Friday, February 11, 2011, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412E 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/](http://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](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

Assemblyman Marcus Conklin, Chair  
Assemblyman Paul Aizley, Vice Chair  
Assemblyman Kelvin Atkinson  
Assemblyman Tom Grady  
Assemblyman Randy Kirner  
Assemblyman John Ocegüera

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

Senator David R. Parks, Vice Chair  
Senator Dean A. Rhoads  
Senator Ben Kieckhefer

**COMMITTEE MEMBERS EXCUSED:**

Senator Moises (Mo) Denis, Chair

**STAFF MEMBERS PRESENT:**

Mike Chapman, Principal Deputy Fiscal Analyst  
Rex Goodman, Principal Deputy Fiscal Analyst  
Jennifer Byers, Program Analyst  
Sarah Coffman, Program Analyst  
Eric King, Program Analyst  
Janice Wright, Committee Secretary  
Cynthia Wyett, Committee Assistant

Chair Conklin called the meeting to order and welcomed everyone to the first meeting of the Joint Subcommittee on General Government.

**DEPARTMENT OF ADMINISTRATION**  
**ADMINISTRATION-HRM-HUMAN RESOURCE MANAGEMENT (717-1363)**  
**BUDGET PAGE ADMIN-171**

Teresa Thienhaus, Director, Department of Personnel, presented budget account (BA) 717-1363. The Department would merge with and become part of the Department of Administration, Division of Human Resource Management after the reorganization was approved. She presented [Exhibit C](#), the "Budget Presentation," and explained the mission of the agency was to provide exceptional human resource services with integrity, respect, and accountability. The Department's authority was from the *Constitution of the State of Nevada*, Article 15, Section 15, and the *Nevada Revised Statutes*, (NRS) Chapter 284. The Department's purposes and responsibilities were:

- Support state agencies' staffing needs by recruiting and retaining a qualified workforce.
- Ensure market competitiveness and internal pay equity through job analysis, market surveys, and pay plans.
- Enhance employee-management relations through consultation, investigation, conflict resolution, and hearing processes.
- Improve employee and management effectiveness through training.
- Produce timely and accurate paychecks, deductions, and withholdings for state employees.

Ms. Thienhaus detailed the fiscal year (FY) 2010 and FY 2011 accomplishments of the Department:

- Developed regulations and modified payroll system to implement the State Furlough Program within a two-month time frame.
- Established policies and procedures to implement the following payroll cost reduction initiatives: elimination of advanced step appointments and the + 5 percent Special Salary Adjustments; and merit pay freeze.
- Increased customer outreach and employee productivity by offering mandatory supervisory curriculum via e-learning (online), resulting in 6,209 hours (or \$148,078) in productivity gain.
- Successfully mediated 15 cases of workplace harassment claims and employee disputes using in-house staff, thereby avoiding costly litigation expenses and claim awards.
- Received accreditation for the next five years from the National Certified Public Manager Consortium for the Nevada Certified Public Manager (CPM) Program. Net return on investment (ROI) for classes 1-7 was \$28,559,038 (510 percent).

Ms. Thienhaus explained the strategic priorities of the Department for the 2011-2013 biennium:

- Launch a new pilot program "Agency Personnel Services" to provide centralized personnel services.
- Assist management and affected employees with reduction-in-force and reemployment issues.
- Plan and coordinate physical relocation problems with the discontinuation of four nonstate-owned office leases.
- Provide efficient and cost-effective 24/7 online training services.
- Reduce appeals hearing caseload and costs by using mediation services.
- Streamline written examination process by implementing computerized testing and scoring.

Ms. Thienhaus discussed the current organizational chart and the proposed organizational chart after the consolidation into the Department of Administration. The orange and yellow boxes shown on page 7, of [Exhibit C](#), were positions that would be eliminated. The Department would transfer out its information technology (IT) staff and transfer in the staff for the new agency personnel positions.

Ms. Thienhaus called the Subcommittee's attention to the biennial revenues and expenditures (page 8 of [Exhibit C](#)) and the percent change column that showed a 12.6 percent reduction in personnel assessments and a 24.92 percent

reduction in payroll assessments. Total revenue decreased by 10.99 percent and expenditures decreased by 16.76 percent.

Chair Conklin asked about the net reserves and ending cash of \$445,538 for the 2011-2013 biennium that appeared to be less than one-month's operating reserve. The standard was a three-month reserve, and he wondered whether that cash amount was sufficient.

Hui Ling Tanouye, Division Administrator, Administrative Services, Department of Personnel, responded the ending cash reserve balance was low, but the agency was not concerned because Personnel billed all state agencies at a preset rate at the beginning of each fiscal year. The revenue source was fixed and stable; thus the Department did not have a cash-flow problem.

In response to a question from Chair Conklin, Ms. Tanouye replied there was an optimal reserve level. According to the Office of Management and Budget (OMB) *Circular A-87 Revised*, the requirement was a 60-day reserve. However the federal government used an accrual accounting method and did not base the reserve on an actual individual year's expenditures.

Chair Conklin asked whether there was an optimal level for the Department. He knew that the optimal level was a 60-day reserve and the \$854,910 for the 2009-2011 biennium was probably close to the 60-day level. The Department presented the \$445,538 as workable; thus he asked what the Legislature could expect the optimal reserve level to be in the future.

Ms. Tanouye said the Department would like to attain a 60-day level that was the optimal reserve level. The budget amount should be sufficient, and the actual ending cash figure would depend on how the Department ended FY 2011, at which time some additional funds may be available.

Chair Conklin asked whether the Governor had submitted a bill draft request (BDR) for the proposed changes, consolidation, and reorganization of the Department.

Ms. Thienhaus said she was not aware of a BDR for the reorganization. Stephanie Day, Deputy Director, Budget Division, said the Budget Division worked on all the budget bills and would submit those by the 19th day of session. She said if the full 60-day reserve was used in the budget for the Department of Personnel, then there would be problems with the federal

"pay-backs." Any imputed interest that was assessed on internal service funds must be repaid to the federal government. Thus the state should reduce the reserve levels in this budget account. She thought the actual reserve amount should be closer to a 30-day reserve. There would not be a problem with cash flow in the account because state agencies were billed at the beginning of the fiscal year.

Chair Conklin said he understood that the Budget Division believed a 30-day reserve was a more realistic reserve. Ms. Day commented that the optimal reserve should be between 30 and 45 days for this account. She would work with the staff and provide better information.

Ms. Thienhaus referenced the adjustments that must occur because of the merger. The savings from positions being transferred out or eliminated totaled \$644,260 for FY 2012 and \$963,864 for FY 2013. She mentioned the statewide standard adjustments contained in the budget for the 2011-2013 biennium. The Department initially offered an in-house Employee Assistance Program (EAP) with two mental health counselors on staff. Both those positions were eliminated, and the Department looked to outsource the EAP but keep the change revenue-neutral. The Department would produce the request for proposal (RFP) soon. The Department believed it could provide more services at no additional cost, because it could include various other types of counseling services that the current mental health counselors could not provide.

In response to a question from Chair Conklin, Ms. Thienhaus responded that in addition to mental health counseling, EAP outsourced services could include financial counseling, low-cost legal consultations, child-care assistance services, and other services. Employees that needed EAP services often did not just need mental health counseling but other types of services as well. Employees may need help with their mortgage or with their credit.

Chair Conklin expressed concern about her statement earlier about the potential cost of those services when transferring to a privatized service base while providing enhanced services. He could not understand how enhanced services could be provided at no additional cost.

Ms. Thienhaus replied that the Department budgeted a set amount to expend for EAP and would negotiate with the successful vendor to provide as many additional services as possible for that cost. Most prospective bidders charge on a per-employee, per-month basis. The Department would work to determine

the total employee population at the end of the 2009-2011 biennium, what services were needed, and how much each of those incremental services cost to develop the actual number of services that EAP would provide.

Shelley D. Blotter, Division Administrator, Employee and Management Services, Department of Personnel, commented that the Department issued a request for information (RFI) last summer and received responses from 15 different vendors that ranged in price from \$.76 per employee per month to \$1.87 per employee per month. The Department looked at the responses and determined it could provide a wider range of and better services in the midrange of the proposed costs compared to what it had been paying for the limited services of two mental health counselors.

Chair Conklin asked what that wider range of services could encompass. If the Department issued an RFI and received confirmation that the vendors could provide all the services the employees were receiving now plus information on child care and mortgage-lending for the same cost currently paid, then the Legislature had a basis to approve the outsourcing of EAP. But he needed to know those specific services. He asked what specific services could be provided for the same cost. All he saw was a line item for the same amount of money.

Ms. Blotter agreed to provide a list of enhanced services that would be available. In addition to being able to provide more services, the EAP would have better coverage. The Department had two mental health counselors, one based in the Reno/Carson City area and the other based in Las Vegas. That meant that only telephone services could be provided to rural Nevada employees. The new vendor may provide services in the community to a rural area such as Elko. The Department anticipated providing more services but to a wider service area.

Assemblyman Kirner said he came from private industry and knew this service was typically outsourced. The way the Department provided services now was totally inadequate for the needs. He suggested the Department not include legal services in the enhanced services.

Ms. Thienhaus outlined the specific merger adjustments shown on page 12 of [Exhibit C](#). The Department would transfer seven of its IT staff positions to the Department of Administration, Enterprise Applications Support. The Department's current public information officer (PIO) would be transferred to the

Budget Division. A desktop support position would be transferred to the Enterprise IT Services. The total adjustments would save \$644,260 in FY 2012 and \$963,864 in FY 2013.

Assemblyman Aizley asked about the reorganizations and whether any services would be lost. He wondered when the economy improved would the Department be ready to replace those services and provide the same quality of services without additional staff.

Ms. Thienhaus said the Department would not cut any services and would continue to provide the same amount and quality of services. The Department would centralize both the IT and fiscal services currently located in the Department and transfer those to the Department of Administration to improve efficiencies and economies of scale. That move would result in some cost savings without losing any services. When the economy improved, the recruiting function would require more time and services, but current staff would be sufficient. The Department would have a fully-functioning personnel services section by the end of the 2009-2011 biennium. The agency would determine how to handle agency recruitments within the recruitment section and the agency personnel services section. It would make sure to provide all the necessary services.

Assemblyman Aizley asked whether there existed a hierarchy of state agencies now that caused delays in filling vacancies. After the reorganization would those delays continue or would the agency remain independent and replace vacant positions in a timely manner?

Ms. Thienhaus replied there was a hiring freeze and agencies must go through a justification-to-fill procedure. After that, it depended on how complicated the testing procedure was and whether it was a written test versus an application review. Those matters determined how long the process would take to fill a vacancy.

Ms. Thienhaus referred to page 13 of [Exhibit C](#) that listed the agency personnel services adjustments. The Department proposed to transfer three staff from the Budget Division to the Division of Human Resource Management (DHRM) and create the Agency Personnel Services section. On November 1, 2011, the agency would transfer two positions from the Department of Taxation to the DHRM. Those two positions would begin providing human resource services through the Agency Personnel Services section. On February 1, 2012, the

DHRM would transfer-in several other employees from the State Department of Agriculture, the Department of Education, and the Department of Business and Industry. The DHRM would assume those personnel functions in April 2012.

Senator Kieckhefer said he had worked at the Department of Health and Human Services (DHHS) that had over 5,000 employees and it was like a big company. He asked for Ms. Thienhaus's perspective on the benefits of having full-time personnel staff located within DHHS that knew best what the agency needed and could work within the system to get it accomplished. He wondered whether centralizing the personnel staff would adversely affect the ability of staff to identify those agency needs and work with the agency appropriately. He asked, conversely, whether the new centralization would provide a buffer that was more appropriate for human resources.

Ms. Thienhaus said the concept of centralization was not unique to Nevada. She was a member of the National Association of State Personnel Executives and participated in biweekly conference calls among the states that were considering or had completed the very same centralization. She was aware that states that had recently gone to the centralized model had some good lessons to share about the efficiencies that resulted from the change. As an example, the state of Indiana had significantly more state employees than Nevada. Indiana went from over 500 decentralized human resources (HR) staff located in the various state agencies to 182 centralized HR staff servicing all the state agencies.

Ms. Thienhaus noted that much efficiency resulted from centralization of HR personnel staff. Some of the disadvantages of a decentralized model were that there was a wide range and disparity among the level and quality of HR services that were provided in the various agencies. Some agencies provided good HR services and some agencies provided poor HR services. Thus some employees benefitted while other employees suffered from having a low quality or lack of HR services. The agencies questioned why the disparity existed. The HR staff in the agencies was required to follow the personnel rules that applied to all employees statewide and were contained in NRS and *Nevada Administrative Code* (NAC) Chapter 284. Agency HR staff however, were often asked to interpret the rules the way their agencies wanted them to interpret the rules. That suited their agency management but may not have been the correct interpretation according to the Personnel Commission. That led to discrepancies in the way that grievances and discipline were handled. And that was another advantage of moving to a centralized model.



Ms. Thienhaus continued by pointing out that all state employees would receive the same high-quality level of service from a centralized HR agency. Regardless of the agency, employees would have the advantages of all the resources of a centralized HR. The rules would be interpreted and applied consistently throughout the state. The DHRM could increase access to and availability of professional HR support to all managers. This would enhance the professional development and leadership skills of supervisors. Employees and managers would benefit from having a stronger and more collaborative HR community with better resources. The DHRM would have as its sole mission to provide HR services. Ms. Thienhaus said that citizens could also benefit because DHRM could deliver a higher quality of service at an optimal cost by consolidating the resources into a central HR agency. There were other benefits but the most important was having consistency in the HR services provided across all state agencies.

Ms. Thienhaus said the personnel and payroll assessment rates reflected on page 14 of [Exhibit C](#) would be reduced by 10.3 percent and 23.8 percent respectively in FY 2012 and by 5.7 percent and 6.3 percent in FY 2013. The total result was a savings of \$2,670,051 to state agencies without any reduction in the level of service provided.

Ms. Thienhaus spoke about the six potential layoffs that would occur. Some employees in positions that would be eliminated could fill a position elsewhere before the layoffs occurred. She mentioned some internal reorganization items that included:

- With decreasing demands on recruitment because of the current labor market and cutbacks in state positions, the Recruitment and Retention section would be combined with the Classification and Compensation section.
- This reorganization would eliminate three positions from the Recruitment and Retention section, including one division administrator position.
- Test development and review activities would be curtailed.
- Total biennium salary savings would be \$363,037. Savings totaled \$84,855 for FY 2012 and \$278,182 for FY 2013.

Chair Conklin asked about the detailed salary and compensation survey completed during the past interim and whether Ms. Thienhaus had any comments to share. The agency was eliminating positions and consolidating. He recognized that state employees were not compensated at the same level as

other public employees thus the recruiting and retention job would become more difficult. He worked in HR for 15 years and knew that sometimes you can hire persons at less money but you cannot keep them for very long. Those problems must be considered as other costs to Nevada.

Ms. Thienhaus responded that she saw the challenges arising for state employees such as the increases in employee costs to pay for benefits from the Public Employees' Retirement System (PERS) and the Public Employees' Benefits Program. She was aware of the difficulty in recruiting and retaining employees and she pointed out that one of the ways she addressed the challenge was to combine these two recruiting and retention sections together. There was a synergy that occurred when the person who wrote the class specifications was also doing the recruitment. There was a better understanding of the candidates and the needs of the position. The consolidation would not solve the problem of decreased state salaries. She thought she could address the problem of recruiting persons who were suited to their jobs. In HR it was all about a good fit and hiring the right person who actually fit into a particular job, not only for their skills but for their personality. She was trying to bolster the attractiveness of state employment through an outsourced EAP, improved retention methods, pay for performance system, and so on.

Chair Conklin recognized that the state must learn to do more with less but thought there was a threshold and asked whether the Department was prepared to cross that threshold and accept the potential consequences. The salary survey included a 4.6 percent pay reduction for the furloughs. State employees earned 2.93 percent less than all respondents included in the survey, 5.65 percent less than other Nevada public employees, and 2.25 percent less than other Western state government employees. Nevada's benefits were 11.25 percent of salary while the average benefit was 15.99 percent of salary. He recognized that Nevada was looking for the right fit. State employees faced a potential budget reduction in salary of 5 percent in the 2011-2013 biennium, and a potential benefit reduction also. At this time, other states were looking to expand their employment. The employers that were increasing their staff paid more and provided better benefits. Those employers looked to hire from the pool of Nevada state employees who experienced a decrease in pay and an increase in their costs of benefits. How was the Department prepared to deal with the potential loss of expertise and number of employees given the compensation decreases to current state employees?

Ms. Thienhaus replied that the Department had considered those problems. It had a plan to enhance recruitment that was not fully completed. She believed she must ensure applicants understood the job requirements of the jobs they sought. Many jobs required a certain level of education and skill; thus Nevada was at an advantage for persons with that background. The Department's priority was to develop the plan and provide specificity about recruitment and retention. It was a challenge, but she believed having a centralized HR function would help because she could reduce the grievances and improve morale with better HR services. The Department was working on this plan and agreed to work with the Fiscal Analysis Division staff to provide more information.

Senator Rhoads asked about the difficulty of hiring employees in the rural areas. In the past the state offered a 5 percent incentive to applicants willing to work in the rural areas, but he noticed that the budget removed the 5 percent incentive. He wondered whether that 5 percent incentive helped attract qualified recruits. He thought that Nevada had a 14 percent unemployment rate, but some agencies had positions that could not be filled.

Ms. Thienhaus said she had not seen the removal of the 5 percent pay increase for the rural incentive. She believed the 5 percent rural incentive only applied to specific agencies like the Department of Corrections and she would speak with Mr. Cox to determine whether or not there was an advantage to having the 5 percent incentive. She would provide that information to the Subcommittee.

Assemblyman Kirner asked about the employment automated system. He asked about trends around the number of applicants, the level of retention, and the turnover rates.

Ms. Thienhaus said the Department calculated those statistics and would provide them to the Subcommittee. She said the Department was overwhelmed with applications right now. Some applicants did not possess the required skills for the jobs they sought. The number of applications increased, but the skill level of candidates remained flat. Some positions were difficult to recruit, and some depended on the rural area where the job was located. Other positions required a specific level of skill, education, and experience. The Department tried to tackle the difficult-to-fill positions in a variety of methods. There was a moratorium on accelerated salary rates at hire, but that could be overturned upon approval of both Ms. Thienhaus and the Governor. The Governor had been looking at those difficult-to-fill positions such as psychiatric nurses.

The Governor had the ability to override the moratorium on accelerated rates to enhance the capability to recruit. She would provide that data to the Subcommittee.

Chair Conklin asked about the transition and wondered whether the time to fill positions would increase as a result of the transition. Ms. Thienhaus said she did not anticipate any delay and believed the Department would be able to keep up with the workload.

On page 17 of [Exhibit C](#), Ms. Thienhaus showed the plan to begin a pilot project to assume the HR functions for the Departments of Administration, Agriculture, Business and Industry, Education, and Taxation on a "roll-out" basis. The total DHRM activity budget would cost \$8,278,760 for FY 2012 and \$7,916,401 for FY 2013.

Ms. Thienhaus mentioned the activity performance measures and noted it would take 25 days in FY 2011, FY 2012, and FY 2013 to produce an applicant list. The Department was overwhelmed with applications right now but would maintain the performance measures.

Chair Conklin asked Ms. Thienhaus how long these activity measures had been in place and how the Department would anticipate these performance measures changing after the transition and reorganization.

Ms. Thienhaus responded some of the performance measures were ongoing and others were identified in this year as a result of the Priorities of Government (POG) that helped the Department look closely at its core functions and develop performance measures to closely track the core functions.

Chair Conklin asked specifically which performance measures were new because all the ones he saw showed results for FY 2010, FY 2011, FY 2012, and FY 2013.

Ms. Tanouye replied the Department identified only five performance measures in previous legislative sessions. The Department presented more measures for the 2011-2013 biennium. The new performance measures were now reported in the budget process but were not new for the Department's operations. The performance measures were not new to the Department's operations because staff had always kept statistics on everything the Department did. That was why the Department showed performance numbers for FY 2010 and FY 2011.

But in previous legislative sessions, those performance measures were not required in the budget.

Chair Conklin asked for the Department to follow up with Fiscal staff to let them know which ones were new. After this biennium that ended June 2011 and as a result of the merger, he wondered whether the Department expected any new activity measures or enhancements to the services it may be able to deliver. If the Department had that data, then the Subcommittee would like to know what it was.

Ms. Tanouye pointed out activity number 8, Agency Personnel Services was a new performance measure that would be developed in the coming months.

In response to a question by Chair Conklin, Ms. Thienhaus said she had not identified any pitfalls with the proposed reorganization. She had heard about some pitfalls from other states that indicated a state should not have personnel functions combined with the Department of Administration because the budget function should be separate from the personnel function. She did not agree, nor did she believe Andrew Clinger, Director of the Department of Administration, would agree. They were both taking a hard look at score cards and performance management. They were doing strategic planning to reach their goal of a more efficient government. She did not see a conflict or problem.

Andrew Clinger, Director, Department of Administration, added that one area where some might see a pitfall was that HR was responsible for reviewing personnel reclassification requests for positions. There may be a perception that those reclassification requests might be rejected in the future for monetary reasons because HR was part of the Department of Administration. He did not believe that would be a problem because the Personnel Commission was still completely independent from both the Department of Administration and the HR functions. Appeals of any personnel reclassifications would still go to the Personnel Commission. Mr. Clinger would not have any influence on that process or the reclassifications.

Chair Conklin, based on Mr. Clinger's response, noted the merger would result in an adequate firewall. Chair Conklin said any time a major reorganization was planned, there would be various contingency plans developed. The reorganization would require various statutory changes and it would not be easy to just switch it back. He asked about the contingency plans.

Ms. Thienhaus replied she was involved in biweekly conference calls with other states that had completed a similar transition. Pitfalls that had happened in other states were discussed. Approximately one-half of the other states had a combined agency for HR functions within the Department of Administration. The reorganization worked in the other states. Nevada's plan was to learn from the experiences of other states, and when pitfalls were identified, Nevada could address those pitfalls using the experiences of other states.

**DEPARTMENT OF BUSINESS AND INDUSTRY**  
**BUSINESS AND INDUSTRY ADMINISTRATION (101-4681)**  
**BUDGET PAGE B&I-1**

Terry Johnson, Director, Department of Business and Industry, testified that the Department consisted of 14 different divisions that regulated various aspects of Nevada's economy including mortgages, real estate, and financial institutions and regulated the workplace through the Division of Industrial Relations, the Office of Labor Commissioner, and the Office of the Nevada Attorney for Injured Workers. The Director's Office served as the central administrative and coordinative role for the various divisions that comprised the Department. The Director assisted divisions in matters pertaining to their budget, legislative matters, and communications with the Executive and Legislative Branches. He was joined in his presentation by Todd C. Rich, Deputy Director, William J. Maier, Administrative Services Officer, and from Las Vegas, Keith Kizer, Executive Director, Nevada Athletic Commission.

William J. Maier, Administrative Services Officer, testified there was a small adjustment for authority for travel within the Director's Office budget. The budget included several adjustments across the entire Department. There were 29 decisions units that addressed the centralization of fiscal staff currently performing similar functions including daily accounting, reconciliation, collection and posting of receipts, preparation of contracts, reconciliation of payroll-tracking adjustments, and recording and reporting of budgets. The fiscal portion of the request sought approval to bring 13 identified fiscal staff into one office under the Director's Office budget account. Eleven staff currently responsible for accounts receivable and deposits would be transferred into the Director's Office. The reorganization would allow for more direct oversight and assistance and a more efficient allocation of limited staff that was not currently possible under the existing structure of the Department.

Mr. Maier said the Department's centralization was part of a larger statewide consolidation of staff, and the budget review would include a work program request for this fiscal year (FY) 2011 to allow for the statewide consolidation and centralization to occur. This adjustment of the work program would allow for the Buildings and Grounds Division to start negotiations on lease adjustments and office set-ups to allow the Director's Office to begin to move as part of the series of moves that were contemplated. Mr. Maier also noted the decision unit deleting a fee transfer from the Director's bond program. The Department's budget also included the transfer of the Department's personnel officer to the Department of Personnel.

Chair Conklin asked for more information on how this centralization represented a "first step" in the Governor's comprehensive plan for reorganization as a means to produce greater efficiency statewide. What types of efficiencies were expected to be gained? What were the benefits of centralization given that it increased General Fund appropriations by \$128,396 in the 2011-2013 biennium?

Mr. Maier clarified that the Department was located in the Richard H. Bryan State Office Building in Carson City. The Department must move out of that building for some of the centralization to occur. The Department's centralization was a transfer of funding source. The positions to be transferred were all the fiscal positions that currently resided out in the divisions. Those positions would transfer under one budget account. That budget account was under the Director's Office that was supported by an administrative fee to the Department from the agencies that it supported. All of the fiscal positions would come within one central office unit within the Director's Office and would support all of the transactions for the Department. The funding sources would change. The individual agencies would no longer pay for a full position but would pay for the allocated share of the position's cost. The allocation was based on the percentage of General Fund received in the Department and the percentage of non-General Fund received in the Department.

Mr. Maier said the General Fund share was determined based on the strict percentage of General Fund that comes into the Department. The non-General Fund share was allocated to the non-General Fund supported agencies based on the number of positions in each budget account funded by the other fee sources. Those numbers determined the amount of work that was associated with the agencies. The position count was a representation of the agencies' size and effort.

Chair Conklin asked about the reason for reclassifying the deputy director position, and the effect to the Department when the deputy director position was eliminated.

Mr. Maier replied the Department requested reclassification of several positions as a result of the centralization. A savings of \$60,000 in the 2011-2013 biennium would result from the centralization of all position actions. The other portion of this consolidation contemplated the closing of the Carson City office of the Division of Mortgage Lending. All those actions combined provided \$151,000 total savings for the 2011-2013 biennium.

Todd Rich, Deputy Director, explained the Department contemplated reclassification of the other deputy director position to support the functions of the Director's Office and to work with the centralized fiscal staff. The Department would no longer have any staff in-house to work on personnel-related items and some personnel functions must be done at the Department level. The role of the Director's Office was to analyze some of these higher-level matters to ensure they were resolved in a timely manner, such as an Equal Employment Opportunity Commission (EEOC) complaint, a suit, or grievance. The reclassified deputy position would be required to work on matters relating to the Priorities of Government (POG), which was a new function. The position would work with matrixes for the budget and reclassifications to be reviewed at the Director's level. This position would also work on any other matters that resulted from the reorganization that were not assigned to a specific position. Mr. Rich was trying to ensure that the Department was staffed appropriately and everything was completed on time.

Chair Conklin asked for a brief overview of the new performance indicators and how they would demonstrate the performance of the Department staff. He also requested a description of the procedures for tracking the data needed for the new performance indicators.

Mr. Rich responded there were a number of new and adjusted performance indicators. The first new one was to aggressively manage the accounts receivable. If the proposal to centralize the fiscal staff was approved, then the Department must ensure it had good accountability for this new staff. It must ensure it turned over the accounts receivable that came in and completed the write-offs of any bad debt. The second indicator was the reduction in the number of grievances. The Department must ensure that it managed the divisions well and provided the proper leadership. The employees should feel



good about their work. In FY 2010, the Department had a total of 6 grievances from over 600 employees. In FY 2011, the Department had 14 grievances, and the Department used a baseline number of 10 grievances allowable per year. The performance indicator goal was to reduce the number of grievances by 50 percent; thus the allowable number was 5 grievances, which was an aggressive reduction. The leadership teams in the divisions needed to understand why persons were filing grievances and those needed to be addressed quickly.

Mr. Rich said the average number of days was ten to close constituent complaints, and that would remain unchanged. The percent of the Department meetings held quarterly with agencies and monthly with agency heads was consistent with the Department's prior performance indicator. Communication between the Director's Office and the 14 divisions was imperative to ensure the divisions understood the direction of the Director and the Governor in any new initiatives that were issued. The Department was in compliance with the indicator reporting the percent of media inquiries responded to within eight working hours. The Department had a public information officer (PIO) in Las Vegas that did a great job complying with that performance measurement.

Mr. Rich said the number of Department procedures that were reviewed was part of the goal to have more consistent operational policies in place to maintain consistency. The percent of work programs and contracts that were reviewed within three days of receipt would be assigned to the new fiscal staff that would be in place after the reorganization. The work product would be consistent and detailed. Some technology projects were still being worked on, and part of the consolidation was to take the six information technology (IT) professionals in the Department and transfer those into the Director's Office. Currently, the Department did not have anyone who could address a computer problem in Las Vegas. By consolidating, the Department was not adding staff but would be able to resolve any type of IT or computer problem that arose.

Chair Conklin asked whether the Department had easy access to the data to be able to measure those performance indicators. Mr. Rich said it would take some work, but the Department would make sure to track and develop a database for those indicators and other accountability measures for the Department. The consolidated Director's Office would have the skill set, the capability, and the staff to measure its performance. Currently the Department had a minimal crew and was more reactionary. The Department's goal was to become more

proactive and develop good procedures and policies to make sure it was meeting all the goals set for it.

Chair Conklin asked Mr. Rich to follow up with the Fiscal Analysis Division staff to ensure staff understood the procedures for tracking and had access to the data necessary to track those performance indicators.

**DEPARTMENT OF BUSINESS AND INDUSTRY**  
**INDUSTRIAL DEVELOPMENT BONDS (101-4683)**  
**BUDGET PAGE B&I-187**

William J. Maier, Administrative Services Officer, Department of Business and Industry, explained the Industrial Development Bonds program was one of the statutory programs under the authority of the Director. The program addressed the state's share of the volume cap [or bonding authority] for issuance of tax-exempt, private activity bonds. The program was designed to improve access to capital, promote business development, and improve business expansion. The program was restricted and offered financing for certain manufacturing facilities; solid-waste recycling facilities; nonprofit facilities for assisted-living health services; educational, civic, or cultural activities owned or operated by qualified nonprofits; and renewable energy projects.

Mr. Maier said the program was currently suffering from a statewide slowdown of the economy. This budget was presented without any enhancements. It also presented a freeze in the volume cap fee that was normally transferred to the Director's Office to protect the existing reserve that was in the program. The program would also provide payment of legal expenses related to the bankruptcy of the Las Vegas Monorail project.

Chair Conklin said that before the Subcommittee began to ask questions, it was a general belief that The Executive Budget had overstated the revenue available, and he had asked the Department to work with the Fiscal Analysis Division staff on this problem.

Assemblyman Aizley asked for an estimate of the revenues from the fees and about the problem of getting other state agencies to transfer their fees over.

Mr. Maier said the fee that was in question was the volume cap fee of \$500 for every \$1 million of volume cap or bonding authority issued by the Director's Office. The budget was built on \$131,500 for FY 2012 and

\$131,500 for FY 2013. There was a base amount of distribution that was allowed for the Director's Office. If the entire cap was distributed by the Director, then that would leave the Department with a base of \$69,500. However, during the year, there were projects that did not use all of their bonding authority, and the Director's Office made an effort to preserve that authority for future projects. As a result, the \$500 fee could be collected again on the new bonds. In the budget in FY 2010, this fee generated \$141,000 even though the base was \$69,000. The Director's Office was able to collect more revenue than budgeted. In building the budget, staff doubled the amount that would typically be available to \$131,500. The Department asked for the maximum authority that could be collected.

Assemblyman Grady said the volume cap amount was split between the state and the local governments. If the local governments did not use their amount, then the amount reverted to the state. He wondered whether any of the changes would affect the volume cap that went to the local governments.

Lon DeWeese, Chief Financial Officer, Housing Division, Department of Business and Industry, testified about the volume cap. Mr. DeWeese explained the cap was allocated based on the state demographer's estimate of what the population would be during the calendar year applicable to the bond cap. If the population as a percentage going to the rural counties increased relative to the state's total population, then the amount flowing to the rural counties would also increase. The statute had not been changed. On August 31, if the local jurisdiction had not used that money, then there was an automatic reversion. But there was a safety valve. The Director had the discretion after August 31 and until December 31 to distribute that reversion amount back to the rural area should, late project application be made from the rural area.

Assemblyman Aizley asked whether or not he had a projection of the volume cap for FY 2011.

Mr. Maier said the Department would provide a projection and additional information to Fiscal staff. If there was an adjustment, it would be reviewed by the Department of Administration. He would probably have the figures ready by the middle of next week.

Senator Kieckhefer asked what the existing authority of the total bonds was that may be issued. He also said in FY 2010 there was only one application reviewed. The Department anticipated reviewing three applications in FY 2012.

and FY 2013. Based on the scope of these projects, he wondered whether the Department received the level of applications necessary to absorb that capacity.

Mr. DeWeese replied that the Department's review of a project was a three-fold process: the legal structure of the proponent for the project, the tax review, and the financial review. The one project that was listed in the performance indicators for FY 2010 was the \$3.8 billion megaresort proposed for the Las Vegas Strip. The magnitude of that project required an enormous amount of review. Because of the financial circumstances in Clark County and along the Strip, the project was in a suspension mode right now. Just the baseline review of the legal structures took months to complete.

Mr. DeWeese said a more typical project was of the small manufacturing variety, usually less than \$10 million. A lady came in with a project last week in Clark County for a sauce and salad manufacturer that would like to relocate and expand its business. She was looking for less than \$10 million and wanted to understand whether or not she could support the debt load. Mr. DeWeese reminded the Subcommittee that this was not an equity grant program: this was a low-cost loan. Once she understood the particulars and the rather arcane and byzantine tax rules associated with this program, the lady had to pause, go back, recalibrate, and redo her performance projections before she could decide whether to go forward.

Mr. DeWeese continued by noting there were a lot of moving pieces in these projects. Sometimes an applicant applied for the program but by the time the applicant completed the vetting process and understood the rules, often the applicant would look for equity sources rather than take on debt. Mr. DeWeese said he did not want to see businesses overburdened with debt. Our state had an entire population who owned homes who were doing this right now. But debt was an important component of the capital structure of most businesses. These tools were necessary. As the economy starts to improve and the Governor's efforts and the local jurisdiction's efforts to diversify begin to succeed, then the Nevada economy would accelerate. This program would see more activity and that was why the performance measure had been increased.

Chair Conklin asked about the projects that were being reviewed for the next biennium.

Mr. DeWeese said the current queue had two projects waiting for approval. In addition to the \$3.8 billion project that was in suspension, Carson City proposed

a solid-waste project to convert some of that solid waste into potential energy, renewable energy, and power generation. The other potential project was the sauce and salad project.

Assemblyman Aizley asked what the dollar amount of the solid-waste project was.

Mr. DeWeese replied the "set-aside" in bonding authority based on previous discussions with the proponents of that project was \$36 million. It would reflect a consolidation of the solid waste transfer and recycling of both Douglas County and Carson City.

**DEPARTMENT OF BUSINESS AND INDUSTRY**  
**ATHLETIC COMMISSION (101-3952)**  
**BUDGET PAGE B&I 39**

Terry Johnson, Director, Department of Business and Industry, introduced Keith Kizer, Executive Director of the Nevada Athletic Commission, and William Maier, Administrative Services Officer, who would make this budget presentation.

Mr. Kizer spoke from Las Vegas and introduced Bill Brady, Chair of the Nevada Athletic Commission. Mr. Kizer said the budget was similar to last biennium's budget. There were no new programs. The budget included the reductions of salaries, longevity pay, and merit pay. Everything else was unchanged from the last biennium. The agency earned some good revenue over the last half of the decade. It had some very big fights coming up in the second half of fiscal year (FY) 2011. The agency expected to bring about \$4 million or \$5 million to the State General Fund based on its budget of less than \$1 million.

Assemblyman Aizley asked him to address the amateur boxing program. Mr. Kizer responded the amateur boxing fund had been healthy based on the number of big fights held each year. When the fund was first put into place years ago, the expectation was about \$20,000 per year to be raised for amateur boxing. The fund had averaged over \$100,000 each year over the last several years. Last year it spent a little more than was generated, but the fund balance was still over \$100,000. The fund had about \$120,000 at the beginning of this fiscal year.

Mr. Maier stated the ending fund balance was about \$128,530 for each year of the 2009-2011 biennium. Revenue was earned as a share of each ticket price. The money that was earned was spent, and the reserve remained at the \$128,530 level each year.

Mr. Kizer explained the fee was \$.50 per ticket sold for smaller events with a gate of \$1 million or less and \$1 per ticket for larger events. From those fees earned, the Commission was able to give out grants to events that occurred in Nevada and pay for an ambulance and licensed emergency medical technicians (EMTs) on site for any emergency that occurred. The Commission also provided funds to aid boxing clubs with travel outside the state to events such as Golden Gloves, Olympic Trials, and national championships. The Commission also funded the purchase of safety equipment such as gloves, cups, headgear, mouthpieces, and other things that were needed or wore out to ensure the safety of the young persons who participated in these amateur events.

Assemblyman Aizley asked about other types of outreach, advertising, or other public awareness programs used by the Commission to advertise the amateur boxing program.

Mr. Kizer said the Commission had worked closely with the national and state amateur programs, including USA Boxing and the mixed martial arts programs, such as the International Sport Karate Association (ISKA), International Sports Conditioning Association (ISCA), and Kick International to provide outreach through them to their clients and members. That was how the Commission developed its equipment purchase list. The Commission worked with Chaparral High School in Las Vegas that was starting the first high school amateur boxing program in years and one of the few in the nation. That just occurred two months ago and was a big step because it was a sport that was often shunned by the schools because of the high insurance costs. The high school program was set up to mirror USA Boxing that was a subset of the U.S. Olympic Committee. There were safety and health measures included in the program.

Assemblyman Aizley asked how many high schools in Las Vegas were involved with this amateur high school program.

Mr. Kizer replied that Chaparral High School was the only school developing a pilot program. He believed the school was hoping to get 20 students to sign up for the program. Mr. Kizer believed the school had doubled that number thus

far. Depending on how well that program succeeded, USA Boxing would plan to expand that to other high schools throughout the entire state.

Assemblyman Aizley asked how the Commission planned to spend the reserves of \$161,110 recommended in each year of the 2011-2013 biennium.

Mr. Kizer responded that the plans were the same as the prior biennium, to focus first on health and safety, including the ambulance and EMTs and the travel for out-of-state boxing events. He anticipated another strong year for earning revenue. The Commission had been responsive to the legitimate grant requests.

Senator Rhoads said the University of Nevada, Las Vegas (UNLV) had an ambitious college rodeo scholarship plan. He asked where that budget was located in the state budget.

Mr. Kizer said the Commission was only involved with boxing programs and he did not know about the rodeo programs. He said the Commission had given grants to UNLV and the University of Nevada, Reno (UNR). The initial approach of the Commission was to approach the amateur clubs either at the college level, high school level, or amateur level. The Commission had been responsive to those grant requests submitted. Last year was the first year that the requests were equal to the revenue earned. In the past, the Commission had always brought in more than the grants requested. The Commission had been able to carry forward funds and expected to be able to replenish that fund balance in the future.

Terry Johnson said Senator Rhoads may have been inquiring about the activities that were performed by the Nevada Junior Livestock Show Board. When the Department was created in 1993, the Nevada Junior Livestock Show Board was one of the agencies that was merged into the Department. But now the Nevada Junior Livestock Show Board was located in the Department of Agriculture.

**DEFERRED COMPENSATION**  
**DEFERRED COMPENSATION COMMITTEE (101-1017)**  
**BUDGET PAGE DEFERRED COMP-1**

Tara Hagan, Executive Officer, Committee on Deferred Compensation, introduced James I. Barnes, Committee Chair, Rex Reed, Vice Chair, and

Brian Davie, former Chair and member of the Committee. She submitted the "Nevada Deferred Compensation Plan (1017)" ([Exhibit D](#)) and Remarks to the Subcommittee on General Government" ([Exhibit E](#)). Ms. Hagan explained the mission of the program was to assist public employees in achieving their retirement goals by providing a supplemental retirement program with cost-effective, quality investment options, and excellent customer service. Although the Committee was a non-General Fund agency, it submitted a budget that was \$50,000 less than its actual expenditures.

Ms. Hagan said even though the economic environment had been difficult, the Committee maintained a stable number of participants over the past two years despite increases in withdrawals. The Committee had experienced a 40 percent increase in withdrawals for two primary reasons: the first reason was active employees experiencing unforeseen emergencies such as imminent foreclosure of a home; the second reason was the termination of accounts for public employees withdrawing 100 percent of their assets and closing the accounts. Given the difficult economic environment, the Committee was pleased with the stabilization in the total number of participants. The Committee had seen a 15 percent increase in new participants and a 10 percent increase in assets. Staff had increased the disclosures to participants to ensure it was in compliance with the Department of Labor regulations and to enhance its communication efforts.

Ms. Hagan said the Committee made the following budget reductions:

- Reduced the out-of-state travel by 100 percent.
- Reduced registration fees by 100 percent.
- Reduced printing and postage costs by 80 percent with increased use of electronic communications.
- Reduced in-state travel by 50 percent.
- Reduced office lease and communications by 18 percent with move to state government owned space.

Chair Conklin asked about the prospects of replacing the current contracts that expired in fiscal year (FY) 2013.

Ms. Hagan replied that the Committee had an investment consulting contract that would expire and a request for proposal (RFP) would be issued in FY 2012. The provider contracts expired at the end of FY 2012 and the Committee would issue an RFP at that time.



In response to a question from Chair Conklin, Ms. Hagan said she expected a number of firms to compete for the contract. There were generally about five to seven firms that would bid for the defined contribution contracts.

Chair Conklin said there had been a 39 percent increase in cash distribution payments for terminated employees, and there had been a 22 percent increase in the number of requests. He wanted an explanation of those figures.

Ms. Hagan explained that 40 percent of the assets being withdrawn were because of unforeseen emergencies. There were fewer requests than the prior biennium, but the withdrawals were larger for each request. The terminations were those persons withdrawing 100 percent of their account balances and leaving the program. More of those participants were terminating, but the amounts were smaller dollar withdrawals.

Senator Kieckhefer asked whether the Committee tracked the return on investment (ROI) for participants.

Ms. Hagan said the Committee calculated the ROI and presented it at its annual meeting. The Committee was currently calculating the ROI and would provide it to Fiscal staff.

Senator Parks asked about the reserves and how those were calculated and distributed.

Ms. Hagan responded that the Committee tried to keep the reserves low because it had the ability to bill providers anytime. The Committee generally kept the reserves at a 30-day level. It did not have a cash-flow problem. The Committee would not bill its providers when the reserves were at a 30-day level or above. The Committee would spend down the reserves and not bill the providers until the reserves were close to the 30-day level.

There being no further business before the Committee and no public comment, Chair Conklin adjourned the meeting at 10:02 a.m.

RESPECTFULLY SUBMITTED:

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Janice Wright  
Committee Secretary

APPROVED BY:

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Assemblyman Marcus Conklin, Chair

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

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Senator Mo Denis, Chair

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

**EXHIBITS**

**Committee Name:** Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government

**Date:** February 11, 2011

**Time of Meeting:** 8:02 a.m.

<b>Bill</b>	<b>Exhibit</b>	<b>Witness / Agency</b>	<b>Description</b>
	A		Agenda
	B		Sign-In Sheet
	C	Teresa Thienhaus, Department of Administration, Division of Human Resource Management	Budget Presentation
	D	Tara Hagan, Executive Officer Nevada Committee on Deferred Compensation	Nevada Deferred Compensation Plan
	E	Tara Hagan	Prepared Remarks