

**MINUTES OF THE MEETING
OF THE
LEGISLATIVE COMMISSION'S BUDGET SUBCOMMITTEE
Seventy-Sixth Session
February 3, 2011**

The Legislative Commission's Budget Subcommittee was called to order by Chairwoman Debbie Smith at 8:38 a.m. on Thursday, February 3, 2011, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 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).

SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:

Assemblywoman Debbie Smith, Chairwoman
Assemblyman Marcus Conklin, Vice Chair
Assemblyman Kelvin Atkinson
Assemblyman David P. Bobzien
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Crescent Hardy
Assemblyman Pat Hickey
Assemblyman Randy Kirner

Senator Ben Kieckhefer
Senator Sheila Leslie
Senator Dean A. Rhoads

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:

Assemblywoman Maggie Carlton
Assemblyman Joseph M. Hogan
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

Senator Steven A. Horsford, Chair
Senator Barbara K. Cegavske
Senator Moises (Mo) Denis
Senator David R. Parks

SUBCOMMITTEE MEMBERS EXCUSED:

Assemblyman Paul Aizley

STAFF MEMBERS PRESENT IN CARSON CITY:

Rick Combs, Assembly Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Anne Bowen, Committee Secretary
Cynthia Wyett, Committee Assistant

STAFF MEMBERS PRESENT IN LAS VEGAS:

Mark Krmpotic, Senate Fiscal Analyst

Chairwoman Smith convened the Legislative Commission's Budget Subcommittee and indicated the first budget overview would be presented by the Judicial Branch.

JUDICIAL BRANCH BUDGET OVERVIEW:

Michael L. Douglas, Chief Justice, Supreme Court, introduced Robin Sweet, Interim Court Administrator and Director of the Administrative Office of the Courts (AOC) Supreme Court, and Deanna Bjork, Manager of Budgets, AOC, Supreme Court.

Chief Justice Douglas commented that during the present economic times, as departments tried to locate every available dollar to carry out the vital programs

necessary to operate the state, the Legislature had a difficult responsibility in building an appropriate budget.

Deanna Bjork presented the overview of the Judicial Branch budget. Ms. Bjork stated she would be presenting a broad overview of the judicial budget request and then would detail each individual budget for the Subcommittee. She referred to [Exhibit C](#), "Nevada Judicial Branch Budget Request Overview, 2011-2013 Biennium," and said it pertained to the Supreme Court's General Fund appropriation and Administrative Assessment revenue projections.

Ms. Bjork stated there were 14 budget accounts for the Judicial Branch in The Executive Budget. Twelve of those budgets were administered by the Supreme Court. Two of them, the Judicial Retirement System State Share and Judicial Discipline, were administered by the Executive Branch.

According to Ms. Bjork, of the 13 budget accounts for the Supreme Court in The Executive Budget, 4 were fully funded from a General Fund appropriation, 3 were partially funded from that appropriation, and 6 were funded from Administrative Assessment revenue or other fees. Ms. Bjork stated those budgets funded 89 elected officials and 171 positions. She noted that while 173 positions were included in the budget request the Court had withheld funding for 2, but those positions were included in the count.

Of the positions funded by the budget, 82 were funded from a combination of the Administrative Assessment revenue, and General Fund appropriation, 74 positions were funded from an authorization, primarily Administrative Assessment revenue, and 1.75 positions were funded from federal funds.

Viewing the budget request from a statewide perspective the Judicial appropriations and authorizations contained in The Executive Budget represented 0.76 percent of the total appropriations and authorizations in The Executive Budget. The General Fund appropriation was approximately 1 percent of the statewide appropriation contained in The Executive Budget. Ms. Bjork pointed out that removing judicial salaries and retirement made the appropriation 0.23 percent of the statewide appropriation. Ms. Bjork referred to page 2 of [Exhibit C](#) and explained that including judicial salaries and retirement, the General Fund appropriation funded 45 percent of the Judicial Branch budget and Administrative Assessment revenue funded 22 percent.

Ms. Bjork stated the budget request was primarily to fund the adjusted base budget. The only enhancements funded from the appropriation were those to replace computer equipment aged five years or more. Mr. Bjork noted there was also an enhancement to be funded from the appropriation for the judicial selection process to ensure funding should vacancies occur midterm.

Ms. Bjork explained the budget contained an enhancement to transfer the salaries of justices out of the Supreme Court's budget and move it to the District Judge's Salary Account. The Court was proposing to rename the account "State Judicial Elected Officials." Ms. Bjork said the transfer would be approximately \$1.8 million in appropriation in each year of the biennium.

Ms. Bjork stated that 77 percent of the total General Fund appropriations were costs the Court could not control. Twelve percent of the appropriation funded the direct expenses of the Supreme Court, not including the salaries of the justices. Ms. Bjork referred to the chart on page 4 of [Exhibit C](#) which illustrated that 2 percent of the appropriation funded judicial programs, 6 percent funded the law library, and 3 percent funded the senior judge program, with a small percentage funding judicial selection.

If judicial salaries and judicial retirement were removed, according to Ms. Bjork, the Court's appropriation over the biennium would be a little under \$14 million for the 2-year period, and the Supreme Court would use approximately \$7.2 million, over the biennium.

The General Fund appropriation of \$14 million, not including judicial salaries or retirement, funded 33 percent of the Supreme Court's expenses, 100 percent of the law library, 60 percent of the senior judge program, 60 percent of judicial programs, 100 percent of the direct expenses of the judicial selection process, and 45 percent of programs that received an appropriation. Ms. Bjork referred to the chart on page 5 of [Exhibit C](#) to demonstrate that the General Fund was not the primary funding source in all of the Court's budgets. She noted that two-thirds of the Supreme Court costs were funded by Administrative Assessment funds. Ms. Bjork said the concern was the 33 percent in General Fund appropriation that the Supreme Court would receive to fund its costs because it could have a cash-flow problem based on how Administrative Assessment revenue was received.

Ms. Bjork explained section 5 of Assembly Bill No. 6 of the 26th Special Session required the Court to reduce \$1.055 million from its appropriation. A chart had been provided on page 6 of [Exhibit C](#) that illustrated where those reductions had

been made. Ms. Bjork pointed out that the Supreme Court had reduced \$466,000 from its budget in fiscal year (FY) 2010.

Ms. Bjork stated the Court had made other General Fund reductions, and there were some savings to district judge salaries in FY 2010 that were reverted. Another \$60,000 had been reverted to the General Fund before the 26th Special Session in anticipation of reductions that would be needed, but those reductions were not counted toward the \$1.055 million.

In FY 2011 the Court returned \$291,000 to the General Fund to comply with A.B. No. 6 of the 26th Special Session and also returned almost \$300,000 in internal service fund rate reductions.

Ms. Bjork commented that the appropriation could not merely be reduced by 10 percent to 15 percent because of the way the Judicial Branch was funded. The Supreme Court's budget appropriation included judicial salaries which could not be reduced. She maintained that when reductions were calculated judicial salaries had to be removed from the factor, as well as variances in Administrative Assessment revenue and one-time transfers. In the current biennium, the Court had some one-time transfers from reserves to General Fund accounts to reduce the appropriation for this biennium. Ms. Bjork explained that the Court had been aggressive with Administrative Assessment revenue projections based on historical growth during the current biennium. It had become apparent that the projections were too aggressive.

Ms. Bjork pointed out that the current appropriation for the Supreme Court was over \$2 million less than the appropriation received in FY 2007. That figure was used to ensure appropriate reductions had been made to the budget.

In addition, the Court made several reductions last fiscal year and this fiscal year because of an Administrative Assessment revenue shortfall, according to Ms. Bjork. She referred to page 7 of [Exhibit C](#) which contained a chart of the itemized reductions made to the Court's appropriation this biennium. A total of \$2.7 million was removed from the budget and the requests were not included in the budget for the 2011-2013 biennium.

Ms. Bjork said many of the costs were shifted to Administrative Assessment revenue accounts and became permanent reductions to the General Fund. Two positions, a judicial chambers administrator and a court research analyst, were counted in the budget, but would not be funded by the Court. She said it was the Court's intent to request funding in the next biennium should the General Fund outlook turn around.

Page 8 of [Exhibit C](#), addressed Administrative Assessment revenue, which was governed by *Nevada Revised Statutes* (NRS) 176.059. Ms. Bjork explained that per the assessment schedule, the first \$2 was retained by the local juvenile courts, \$7 was then taken off the assessment to be retained by the local justice courts, \$5 went to the General Fund, and the remainder was split between the Judicial Branch and the Executive Branch. The Judicial Branch received 51 percent and the Executive Branch received 49 percent. The \$5 share to the General Fund was a new Administrative Assessment, effective March 12, 2010, that was enacted in the 26th Special Session. Ms. Bjork informed the Joint Subcommittee the average assessment was approximately \$75, and the average fine was \$100 to \$200. In fiscal year (FY) 2010, the Supreme Court received \$30,827,000 in Administrative Assessment revenue.

Ms. Bjork said in FY 2010, the Court had budgeted \$32 million statewide but had actually received approximately \$31 million which made the Court 3.77 percent short of the budgeted amount. During the 2009 Legislative Session, information had indicated growth in Administrative Assessment revenue in the double digits each fiscal year leading up to the 2009 Session. The Court had over projected in FY 2010 and was short 3.77 percent, which resulted in a decrease in reserves and a reduction in expenditures in accounts funded by the appropriation. Ms. Bjork said the Court was facing the same scenario in FY 2011, but to a greater degree. In FY 2011, if the amount received through December 2010 from all of the courts was averaged; the Supreme Court would be approximately 19 percent short of the budgeted amount. The Court was also considering a reduction in reserves.

Ms. Bjork emphasized the Court was dependent on Administrative Assessment revenue, as it was a primary funding source. She also noted there were several Executive Branch agencies that relied on the funding as well.

Chairwoman Smith referred to the chart depicting Administrative Assessment revenue projections for FY 2011 on page 8 of [Exhibit C](#) and asked whether the expenditure reductions in budget account (BA) 1494 and BA 1496, were projected to continue.

Ms. Bjork replied those projections were for the entire fiscal year based on the receipts through December 2010, and December receipts were probably the lowest in more than two years. The chart on page 10 of [Exhibit C](#) illustrated the statewide receipts by month. According to Ms. Bjork, December 2010 was an unusual month because there were court closures. For instance, Las Vegas Municipal Court was closed for a week and, therefore, their average receipts per

month were approximately \$100,000 less. Ms. Bjork said the projection was 8 percent below the amount that was received in FY 2010. Ms. Bjork further indicated she did not see the Administrative Assessment revenue continuing to decline unless something unusual occurred.

Ms. Bjork stated \$29.8 million in Administrative Assessment revenue had been projected for each year of the next biennium. A chart on page 9 of [Exhibit C](#), showed the statewide amounts collected by year. In fiscal years 2004, 2005, 2006, 2007, and 2008, Administrative Assessments were climbing significantly each year; however, in FY 2009 the revenue stream began to slow. In FY 2010 the revenue increased from the prior receipts, but based on the receipts this fiscal year to date, FY 2010 levels will fall significantly short of the amount budgeted. Ms. Bjork stated revenues were 8 percent under projections for the next biennium. Projections for this fiscal year and the two years of the next biennium indicated 5 percent under normal revenue. Ms. Bjork believed that the Court would make up some ground because December 2010 was an unusual month and because, historically, the last six months of the fiscal year generated more revenue than the prior six months.

Page 9 of [Exhibit C](#) contained a chart illustrating how the revenue was distributed. *Nevada Revised Statutes* (NRS) 176.059 specified how the revenue was distributed:

- 36.5 percent is shared between the Administrative Office of the Courts, the Uniform System of Judicial Records, and Judicial Education.
- 12 percent goes to Specialty Courts.
- 48 percent goes to the Supreme Court.
- 3.5 percent goes to the Senior Judge Program.

Ms. Bjork said prior to the 2009 Legislative Session, the revenue going to the Administrative Office of the Courts (AOC), Uniform System of Judicial Records, and Judicial Education was specified as 18.5 percent, 9 percent, and 9 percent, respectively.

Page 11 of [Exhibit C](#) contains a chart illustrating the revenue received by Las Vegas Justice Court and Las Vegas Municipal Court which were clearly the courts that collected the most revenue statewide. Ms. Bjork indicated those courts collected approximately 55 percent of the statewide revenue. Ms. Bjork stated she met with Las Vegas Justice and Las Vegas Municipal Court staff to ascertain what they had determined about revenue collections, and she could report that those courts were doing everything possible to collect those fees.

Those courts are aggressively attempting to collect revenue with warrant programs and collections agencies, according to Ms. Bjork, but citations are down approximately 6 percent in Las Vegas Metro and North Las Vegas.

On page 12 of [Exhibit C](#) Ms. Bjork provided a chart to show how much of the Administrative Assessment revenue generated was going to the General Fund and how much was going to the Executive Branch and the Judicial Branch. She said she determined from this chart that the \$5 that went to the General Fund was having an impact. This chart showed that although receipt of the \$5 was staying stable, the amount of revenue going to the Executive Branch and the Judicial Branch was declining every month. Ms. Bjork commented that because the \$5 revenue had been collected for several months, it was hoped that the revenue source was stabilizing and there would be less effect on budgets. Ms. Bjork was hopeful the \$5 fee would generate approximately \$2 million and a little over \$2 million, respectively, in each year of the next biennium.

Ms. Bjork stated that concluded the portion of her testimony on the broad overall outlook of the Supreme Court's budget request.

Ms. Bjork stated she would review individual budgets in the order they were found in The Executive Budget.

The first budget account (BA) reviewed was BA 1494, Supreme Court, on page JUDICIAL-1 of The Executive Budget. Ms. Bjork noted the Supreme Court was governed by the *Nevada Constitution* and Chapter 2 of the *Nevada Revised Statutes* (NRS). The budget request was for \$10.7 million in year one and \$10.9 million in year two, and was primarily funded from 66 percent Administrative Assessment revenue and 33 percent General Fund. Ms. Bjork said the Court received other revenue for photocopying service fees; however, that revenue was projected to diminish over the biennium because of the Court's new online portal for individuals to get case information and opinions.

Ms. Bjork said BA 1494 funded 81 positions. While 82 positions were listed, the Court withheld funding for 1 position. There were no reductions shown in the actual budget request because the reductions were made in fiscal year (FY) 2011. Ms. Bjork said those reductions were not shown in the budget request because decisions had already been made to either move the costs or to reduce them entirely.

Ms. Bjork remarked that there was an enhancement to move the justices' salaries out of the Supreme Court's budget and an enhancement to replace

hardware and software. She reported that cases filed in the Court increased by 5 percent in 2010 and dispositions increased 12 percent. Year-end inventory declined 10 percent from the prior year. In 2009 the pending caseload was a little over 1,600, and in 2010 the year-end caseload was approximately 1,500.

Ms. Bjork referred to "Judicial Branch Caseload Statistics—Information for the Budget Overview" ([Exhibit D](#)) that provided the caseload statistics of the Supreme Court and the district courts as well as limited-jurisdiction courts.

One achievement the Court had during this biennium was its web-based case management system which went live on August 23, 2010. The system was integrated with the court's document management system and electronic filing system. Ms. Bjork noted the project was finished ahead of time and under budget. She said a public portal was launched to allow public access to nonsensitive case information, access to documents pertaining to the case, and information specific to the case. She opined that was the reason for the decline in photocopy fee revenue.

Ms. Bjork mentioned that the way the Court was funded it would receive, once the budget was approved and closed, the General Fund appropriation at the start of the fiscal year. Administrative Assessment revenue was not received until 15 calendar days after a month ended. Ms. Bjork said the Court had now started receiving revenue from the courts from December 2010 in February 2011. The Court would spend the General Fund appropriation and then collect Administrative Assessment revenue. She commented that as the end of the fiscal year arrived the Court would be more reliant on that revenue and could experience a cash-flow problem. While there was a statute that addressed that possibility for Executive Branch agencies, it was not clear whether that statute pertained to the Court. Ms. Bjork advised the Joint Subcommittee there was a possibility the Court could run out of cash during the fiscal year based upon the way the Court was funded.

The next budget account (BA) Ms. Bjork reviewed was BA 1490, the District Judge's Salary Account, which the Court was proposing to rename State Judicial Elected Officials. This budget account requested approximately \$21 million in each year of the biennium and included enhancements to transfer the justices' salaries into the account. Ms. Bjork said there was no fiscal impact associated with that transfer. The proposal to rename the budget account could require an amendment to NRS 3.030 because the statute specified the name of the budget account as it existed this biennium, which was District Judge's Salary Account.

In fiscal year (FY) 2011 the Court was provided ten new district judges through Assembly Bill No. 64 of the 75th Session, which also funded a portion of those judges from district court filing fees.

The next budget account, BA 1498, Judicial Selection, page JUDICIAL-8 of The Executive Budget, was governed by *Nevada Revised Statutes* (NRS) 1.380 through NRS 1.410. Ms. Bjork stated workload was based on the number of vacancies that occurred midterm. Because there was only one vacancy and a limited number of applicants, there was minimal cost so the Court was able to use savings from that budget to return appropriation. Ms. Bjork explained there were three processes expected this fiscal year, and when this budget account was created, the base budget was zeroed out and there was an enhancement for funding judicial selection processes. Ms. Bjork said she had taken the liberty of reducing the budget through another enhancement by 10 percent. This budget requested \$32,360 over the biennium to fund judicial selection processes.

The next account, budget account (BA) 1496, was the Senior Justice and Senior Judge Program shown on page JUDICIAL-10 of The Executive Budget. This account was governed by Supreme Court Rule 10 and it also received revenue from Administrative Assessments (NRS 176.059). Ms. Bjork said the primary funding source was an appropriation with 60 percent of the budget request funded from the appropriation. The rest was funded from Administrative Assessment revenue and multiparty filing fees. Multiparty filing fees were projected to increase 2 percent every year based upon historical growth.

Ms. Bjork said the Court was requesting to continue senior judge coverage at FY 2010 levels which were already reduced because of the Administrative Assessment revenue shortfall and the Court's need to reduce its General Fund appropriation pursuant to Assembly Bill No. 6 of the 26th Special Session.

There was one position associated with this budget according to Ms. Bjork. She explained there were 3 senior justices who were assigned cases as well as 17 senior judges. Those judges handled cases to assist with congested court dockets, court absences, specialty courts, medical malpractice, and a wide variety of other areas. There was one enhancement in this budget request to purchase one computer for the position. Ms. Bjork pointed out the computer to be replaced was five years old or more and would cost \$1,000 in General Fund appropriation.

Budget account (BA) 2889 was the Law Library account shown on page JUDICIAL-14 of The Executive Budget. There were no enhancements in this budget according to Ms. Bjork. This budget contained six positions and funds the legal research materials for the Supreme Court, legislative legal staff, the Attorney General's Office, and other governmental entities.

Ms. Bjork stated the next budget account (BA) to be reviewed was the Administrative Office of the Courts (AOC) BA 1483 shown on page JUDICIAL-17 of The Executive Budget. This budget account was governed by NRS 1.320 and NRS 1.370, which described the duties of the Office of Court Administrator. It received revenue pursuant to NRS 176.059 and funded 37 positions. Ms. Bjork said the Legislature authorized 28 positions in the prior session, and this budget account was now funding 37 positions. Ms. Bjork said the budget request was for \$5.3 million in fiscal year (FY) 2012 and \$5 million in FY 2013, and the difference in the amounts was the adjustments to reserve.

The budget account funded the office of the director and also primarily funded the indirect costs of all of the budgets administered by the Supreme Court. It funds the accounting, budget management, personnel, payroll, and information technology support for the Supreme Court and all of the other programs it administers. Ms. Bjork said that the account saved the state a significant amount of appropriation. Many Executive Branch departments charge those costs back to the programs that it served, but it was the Court's policy that the AOC pay for those expenses. The AOC's budget also funded a public information officer, two Judicial Branch auditors, a specialty court coordinator, and some court support positions.

Ms. Bjork noted there were several enhancements in this budget, and once those enhancements were factored in, the Court's reserve level at end of year two (FY 2013) was projected to be about 60 days. Ms. Bjork briefly outlined the enhancements, which would fund the expansion of the virtualization disaster recovery capabilities of the Court. Ms. Bjork said the Court had replicated data nightly between the Supreme Court's locations in Las Vegas and Carson City. The enhancements would enable the Court to replicate applications so the Court could continue operations in the event of a disaster.

Ms. Bjork commented that the Court had submitted a request to update the employee management system that the Court's human resources unit used to keep data and information on all employees. The budget also included a request to purchase web filtering software to ensure that the Court's systems were secure, to upgrade performance evaluation software that was no longer

supported, to purchase Microsoft SharePoint, and to replace equipment aged five years or more.

Budget account (BA) 1484, Judicial Programs and Services Division, depicted on page JUDICIAL-23 of The Executive Budget was reviewed by Ms. Bjork. This account was funded approximately 60 percent from the appropriation, approximately 38 percent from federal funds, and also received court interpreter fees. There were 10 positions in this budget and 9 were funded. The Court withheld funding for 1 position and 7.25 of the 9 were funded from General Fund with the remainder funded from federal grant funds for state court interpreter programs.

Ms. Bjork said BA 1484 had several responsibilities, such as collecting, analyzing, and reporting statewide court and judicial statistics. The budget account provided subject matter experts for judicial committees and commissions. It funded the court interpreter program, which was governed by *Nevada Revised Statutes* (NRS) 1.500. Budget account 1484 provided assistance to rural courts, tracked felony bond forfeitures, and administered the federally funded court improvement program in Nevada. Ms. Bjork said there was one enhancement in BA 1484, and that was to replace computer equipment aged five years or more. Approximately \$4,000 in appropriations and \$2,000 in court interpreter fees was requested.

The next budget account reviewed was the Uniform System of Judicial Records on page Judicial-27 of The Executive Budget. This account was funded primarily from Administrative Assessment revenue and received AOC-sponsored case-management system fees. There were 79 trial courts that this budget served in an effort to improve technology in the trial courts throughout the state. According to Ms. Bjork, 34 of those courts were on the AOC-sponsored case management system. Budget account (BA) 1486 also received multifiling fees consistent with the senior judge program. This budget received \$10 of the fees and the senior judge account received \$5. Ms. Bjork said the Court was projecting a little less than \$150,000 in revenue for each year of the biennium. She said, consistent with the senior judge program, the Court was projecting that revenue was going to grow 2 percent every year based upon the amounts collected in the past. This account also received automation fees that were transferred to the Supreme Court's budget. Automation fees were not projected to increase but were consistent with the projections for civil filings in district courts.

Ms. Bjork said there were ten positions funded in this account. This account funded the standardization, advancement, and support of technology in all 79 trial courts in the state. It provided technological solutions to manage judicial caseloads and records and to improve and address statistical reporting requirements. Reserves in this account were equal to approximately two months after all of the enhancements that were contained in this budget were considered.

The major enhancement in this budget account was decision unit Enhancement (E) 434 to replace the AOC-sponsored case management system. Ms. Bjork said of the \$469,000 requested over the biennium, \$250,000 was a shift in the reserves from ongoing reserve to fund expenses at the beginning of a fiscal year and the special reserve. Ms. Bjork said the Court was saving money for eventual replacement of the case management system in future biennia, and this enhancement requested that \$250,000 be moved from one reserve to a special reserve. Ms. Bjork noted the existing system was over ten years old and used outdated programming language, which was costly. The program used a proprietary application that facilitated information exchanges to the Multi-County Integrated Justice Information System (MC-IJIS) which was costly.

In addition, the current system failed to meet the Uniform System for Judicial Records (USJR) reporting requirements. Ms. Bjork said there were web-based versions that the Court wanted to explore as part of this enhancement, and the intention was to purchase a browser-based system that would be supported in-house rather than by third-party vendors. The Court had set aside funding for the replacement. The budget request reflected \$870,000 set aside for eventual replacement.

Another request within this budget was decision unit E435 for approximately \$8,000 over the biennium to upgrade the client-server version of the existing system to maintain that system until its eventual replacement. Ms. Bjork said an additional request in the budget [E433] for \$25,000 each year of the biennium to develop reports for the Uniform System of Judicial Records (USJR) Phase II, for required family, juvenile, and civil reporting. This request would enable enhancements to allow courts to report that information as required.

Ms. Bjork said there was \$85,000 in the base budget that would be provided to trial courts in the form of grants to enhance their technology. There was a proposal in the budget to increase the \$85,000 in the base budget to \$100,000 per year. Decision unit Enhancement (E) 437 was a request for approximately \$17,000 for each year of the biennium to convert action codes in the

Administrative Office of the Courts' (AOC) case-sponsored system to Nevada offense codes. The Department of Public Safety (DPS) was expected to refuse to accept the existing NRS codes; therefore, the program had requested funding to convert those codes.

Ms. Bjork said there was also a small amount requested to convert some applications because of the planned conversion to the next level of Microsoft Office as well as a request to replace existing computers that were aged five years or more.

The next budget account (BA) to be reviewed was Judicial Education, BA 1487, on page JUDICIAL-34 of The Executive Budget. Budget account 1487 was governed by NRS 3.027, NRS 4.035, NRS 5.025, and various court orders. Ms. Bjork said the request fiscal year (FY) 2012 was for \$1.8 million and \$1.4 million in FY 2013. This account was funded almost 100 percent from Administrative Assessment revenue and included five positions. Ms. Bjork noted the Legislature approved a sixth position in 2009; however, once the Legislature adjourned, the Court did not approve the sixth position and it was not included in the budget requests.

Ms. Bjork said this budget account funded the mandatory and AOC-sponsored education of district judges, and unlimited jurisdiction judges. It also funded the non-AOC sponsored education of judges under the authority of the Judicial Council. The Judicial Council had an advanced education subcommittee, and when a judge requested to go to a non-AOC sponsored event, that request was submitted through the Judicial Council. Ms. Bjork indicated reserves were sufficient in this account and would fund approximately two months of the program's adjusted base budget. There were some minor enhancements in this budget to upgrade the program's software to accept online registration, and there was also a request to train existing Supreme Court and AOC staff on Microsoft Office. Judicial Education was undertaking a program to research, develop, and deliver distance education. There was also an enhancement to fund replacement equipment, according to Ms. Bjork.

Ms. Bjork indicated the next budget for review was the Specialty Court, budget account (BA) 1495, on page JUDICIAL-40 of The Executive Budget. This budget requested \$7 million in fiscal year (FY) 2012 and almost \$8 million in FY 2013. Budget account 1495 was primarily funded from Specialty Court Administrative Assessment revenue. Ms. Bjork stated projections for specialty court Administrative Assessment revenue were consistent with the Administrative Assessment revenue in NRS 176.059 and declines were being experienced in this revenue as well. She noted that in averaging the amount

received this fiscal year, across the fiscal year, the account would be approximately 5 percent short. Ms. Bjork said the Court was projecting the account would be 5 percent short of the actual levels received in FY 2010 and flat over the two years of the next biennium. She said if revenue declined, it would be the responsibility of the Specialty Court Funding Committee to decide how the revenue was distributed. This budget account also received bail bond forfeitures. Ms. Bjork explained that in 2008, BA 1495 collected almost \$200,000, and in 2009 collections declined to \$135,000. Ms. Bjork said at the present time collections total approximately \$94,000, making projections for that revenue flat as well.

There were 46 specialty court programs that are budgeted to receive this revenue with programs serving over 3,300 clients. Ms. Bjork said the Specialty Court Funding Committee, after approving these levels, submitted the budget to the Judicial Council in January, and the Council approved the levels as well. She said because there were declines in this revenue the amount budgeted for distribution in 2012 was approximately 20 percent less than distributed in 2011. The second reserve level was determined to be \$300,000 to cushion any fluctuations in revenue.

Ms. Bjork said it was important to note that in administering this program, the Administrative Office of the Courts (AOC) funds the specialty court coordinator position from its budget to maximize the revenue going into this budget for specialty court programs. The senior judge program paid for senior judges to cover specialty courts in the state as well.

The next budget account (BA) was the Foreclosure Mediation Program, BA 1492, shown on page JUDICIAL-43 of The Executive Budget. This was a new program authorized by the Legislature during the 2009 session and was governed by *Nevada Revised Statutes* (NRS) 107.086 and ADKT [Administrative Docket] 435. Ms. Bjork said the program began in July 2010 without startup funding; therefore, it was placed under the administration of the Court Administrator. To get the program moving as fast as possible, \$130,000 was transferred from the Administrative Office of the Courts (AOC) budget to the Foreclosure Mediation budget. Ms. Bjork noted as soon as the Foreclosure Mediation budget began to accumulate funds, \$130,000 was repaid to the AOC.

Ms. Bjork stated there were currently 20 positions associated with BA 1492 and there were 293 mediators who mediated foreclosures. There were two primary sources of funding, mediation service fees of \$200 each paid by trustees and homeowners when they elected to use the program and notice of

default fees. The projections for this revenue for notice of default fees were consistent with the projections made by the Economic Forum. The projections for foreclosure mediation fees indicated the continuance of levels that were seen in fiscal year (FY) 2010.

There were two reserves in this budget account as well. Ms. Bjork said one was a general reserve to fund the program's ongoing cost, such as the positions and operating and training expenses. The other reserve reflected the amount yet to be paid to mediators. The combined \$400 paid by the trustee and the homeowner was paid to the mediator once the mediation was completed. Ms. Bjork said it was important that the two revenue streams were separated to show the revenue collected for mediation service fees was restricted to payment to the mediators.

Ms. Bjork said the next budget account (BA) was Judicial Support Governance and Special Events, BA 1493, shown on page JUDICIAL-47 of The Executive Budget. This account is funded by peremptory challenge fees of \$450 per challenge. This budget account funded the travel of district judges within their districts to handle court matters as well as the cost of court-appointed committees and commissions and other special events authorized by the Supreme Court, such as the annual bar ceremonies in Nevada. Ms. Bjork said there were enhancements in this budget account to improve videoconferencing systems and to provide grants to law enforcement or judicial agencies to improve their videoconferencing capabilities.

Ms. Bjork stated she had concluded the individual detail in the budget accounts for the Supreme Court and she would be glad to answer any questions.

Assemblyman Conklin asked whether Ms. Bjork believed the Supreme Court had the authority to move money between budget accounts once the budget process was complete.

Ms. Bjork replied she did not believe the Court had ever moved money between accounts with the exception of the Foreclosure Mediation Program which had required \$130,000 for start-up costs. That funding was distributed from the Administrative Office of the Courts (AOC) budget to the Foreclosure Mediation budget to initiate the program and was approved by the Court and the court administrator.

Assemblyman Conklin stated that in the last biennium, the Legislature had requested that all state employees take one furlough day per month and the Supreme Court had chosen not to require furloughs of its employees.

Assemblyman Conklin noted that in this budget, there was an Executive Branch request that there be a shared 5 percent salary reduction for every employee and yet in the Supreme Court's budget request that was not reflected. He requested that salary reduction be addressed.

Chief Justice Douglas replied that it was correct that in the last budget cycle the Supreme Court had not imposed furloughs on its employees; however, the Court had reverted money to the General Fund that was equivalent to the furlough amount. The Chief Justice said the Court had been led to believe that was acceptable at the time. He stated the Court was still "under a furlough watch" because if administrative assessments did not remain stable the Court would have to consider furloughs.

Chief Justice Douglas stated the Court had been asked by the Executive Branch to present a budget that was equal to the 2007 budget, which the Court had done. Additionally, there had been savings to that lower number from 2007. Chief Justice Douglas said that if the Court needed to do more, that would be addressed specifically as requested.

Chairwoman Smith commented that she believed state employee furloughs were an important issue, and while budget reduction was one thing, a commensurate act with other state employees was also important. She further requested clarification as to whether Supreme Court employees were furloughed or the Supreme Court has taken the reduction in the budget.

Chief Justice Douglas indicated the Court had taken the reduction in the budget, and the Supreme Court had not furloughed any employees. The Chief Justice commented that while it was a dialogue that was needed, there was another concern. He said the Court had just lost one employee recently to another state agency because that state agency was able to pay them at a higher rate than the Court could. He said there were some inequities that needed to be addressed, but he understood these were trying economic times for the people of this state, and the Court had no intention of standing above anyone else as it attempted to participate in the governance of the state.

Chairwoman Smith said she appreciated the Court's willingness to work with the Legislature because these were hard decisions to make and especially when it involved employees and pay and time off. She noted the state lost employees all the time to local governments that paid more.

Senator Kieckhefer commented that he agreed with Chairwoman Smith's opinion that there was an inherent value in treating all state employees equitably

regardless of which branch of government they worked for. He said he had another question regarding Supreme Court justice's salaries that was coming out of a newspaper report. According to Senator Kieckhefer, the newspaper report indicated that there was a base salary given to the justices and then there were add-ons based on other duties as performed, or other duties as assigned, including the State Board of Pardons Commissioners and the Supreme Court Commission on Law Libraries. He wondered why those extra duties were not part of the job description and why there was a \$60,000 add-on to adjust the salary. He pointed out that the Governor did not receive extra salary when he served on the State Board of Examiners or the Secretary of State did not receive extra salary when sitting on the Board of State Prison Commissioners.

Chief Justice Douglas responded that it was part of the job description. The Pardons Board was mandated by the *Nevada Constitution*, and the Library Commission was approved by the Legislature. The system attempted to deal with the inequities of the pay within the justice system that all justices performed the same work, but depending on when you came on the Court you were paid differently.

Senator Cegavske said she was looking at the proposed transfer of the Supreme Court Justices' salaries to the District Judge's Salary Account and requested information regarding that transfer. Additionally, she thought it would be good for the Joint Subcommittee to be aware of the employee benefits for the judges, whether their spouses also receive benefits, and whether those benefits were bestowed for a lifetime.

Chief Justice Douglas responded that up until the 26th Special Session in 2010 was convened to deal with the shortfall in the budget, there had never been a concern as to judicial salaries. He maintained the Supreme Court had been in a difficult legal situation after that special session when the Court had been requested to decrease its budget by a particular percentage. Chief Justice Douglas explained that request violated the *Nevada Constitution* because it included the total budget and not just the budget for nonjudicial salaries. There was a case on point that said salaries of the justices could not be reduced during their term of office. Transferring the Supreme Court justices' salaries to the District Judges' Salary Account made a distinction between the salary account versus the program account in the total budget. Chief Justice Douglas acknowledged that solution did not totally deal with the dialogue as to salaries, which needed to be explored further.

Chief Justice Douglas said in response to the Senator's question about spousal benefits that the spousal benefit was the same as any other employee of the state, although the Justices were elected officials. The medical insurance contribution was whatever was required under that program and justices' spouses received no special benefit.

Chairwoman Smith closed the budget hearing for the Supreme Court and opened the hearing for the Department of Employment, Training and Rehabilitation Budget Overview.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION OVERVIEW

Larry Mosley, Director, Department of Employment, Training and Rehabilitation (DETR) introduced Dennis Perea, Deputy Director, DETR; Renee Olson, Chief Financial Officer (CFO), DETR; and Cynthia Jones, Administrator, Employment Security Division, DETR.

Mr. Mosley stated it was his pleasure to come before the Joint Subcommittee and his presentation would cover pages 1 through 7 in [Exhibit E](#) "Budget Overview 2012-2013."

Mr. Mosley noted that while the recession officially lasted from December 2007 through June 2009, its severity had continued to hamper Nevada's economy. The Department's chief economist argued that much of the bad news was behind the state, but Nevada's unemployment rate had trended in a very narrow range over the past six months of the year. Mr. Mosley commented that, unfortunately, joblessness appeared to be stabilizing at a historical high level and analysis suggested that in the near term, the economy would remain sluggish.

There were three main forces that brought about the current economic difficulties, according to Mr. Mosley. These forces were in the housing market, the stalled credit market, and extremely cautious spending. Nevada had been hit harder by this downturn than all of the other states. The unemployment rate for February 2011 was 14 percent, while the national average was 9.6 percent. Mr. Mosley said that in December 2010 Nevada led the nation with 14.5 percent unemployment. In 2010, job losses were moderate over the previous year, but Nevada's core industries—construction, leisure, hospitality, transportation, and utilities—continued to lose jobs. Mr. Mosley opined there was no end in sight for the unprecedented number of citizens seeking the

services provided by DETR. He said DETR's mission and commitment was to be a proactive workforce and rehabilitation agency.

Mr. Mosley said the Department of Employment, Training and Rehabilitation's (DETR) main goal was to provide Nevada's businesses with a trained workforce. He said DETR worked in collaboration with the Governor's Workforce Investment Board, the Division of Economic Development, and other public and private agencies, to develop a trained workforce that would enhance Nevada's economic stability and growth.

Mr. Mosley read the following statement into the record:

I would like to briefly highlight several recognitions that the Department of Employment, Training and Rehabilitation (DETR) has received in the past two years. It should be noted that these achievements were accomplished during the height of turmoil in the economy as well as the highest unemployment rate in the country. At the same time, DETR was in the midst of massive department reorganization, implemented to ensure more opportunities for employment through increased efficiency and collaboration with the state's economic development endeavors.

Our Employment Security Division (ESD), managed by Cynthia Jones, in December 2010, received recognition from the United States Department of Labor for the highest level of performance in key areas of the state's unemployment insurance operations.

In addition, in 2010 the Cashman Good Government Award was received for the successful implementation of the Unemployment Insurance (UI) Debit Card program. Nevada's employment community praised ESD for outstanding and consistent fiscal integrity.

Our Research and Analysis Bureau, headed by Bill Anderson, continues to receive recognition for the work that they do with economic trend settings.

The Labor Market Information program is considered the best in the country. And that is the information we provide to you, and you will be receiving monthly labor market updates. The Department's

analytical work on behalf of the Employment Security Council is also lauded each year by the Council members. This is the Committee that makes the informed recommendations for the rate for the following calendar year.

The Legislature again will receive not only the monthly labor updates, but we will also be sending you a DETR monthly newsletter. The objective of that is to continue to be transparent, to provide you with real time updates with the directions that DETR is going through.

Our Rehabilitation Unit's mission is to provide options and choices for a person with disabilities to work and live independently. They have received several recognitions from the community for outstanding service to customers with disabilities. This unit is also funded by the Social Security Administration (SSA). Again, we are very proud that our Bureau of Disability Adjudication has received awards from Social Security for the exemplary work that has been done.

I am extremely proud of DETR's team that provides vital services to the citizens of our state. The management team is the best that I have had the opportunity to work with, and that includes the 30 years that I spent as a senior level executive with IBM. We have an incredibly outstanding team of executives.

The Department of Employment, Training and Rehabilitation (DETR) is the first area that the unemployed come to after being terminated. In the last two years, we have had employees that literally have had to leave their jobs because they could not stand the tears of the community. We have also had to deal with other issues as they relate to hostile actions, aggressive actions in which we have had to take a no-tolerance stance. Due to those factors the team continues to thank, and you will find if you come through our agency, in every cubicle you will see the word "Thank." We cannot, obviously, control the unemployment rate and dealing with the economic spirals, but each member of our team is challenged to think about how you will provide the best customer service. Not thinking outside the box, but developing a new box.

At this particular point, obviously there have been a lot of questions about the Silver State Works program, which is another

innovative program that DETR is currently involved with. The Department of Employment, Training and Rehabilitation (DETR) is implementing an innovative umbrella employee incentive program. Best practices on the job training programs were a benchmark, including the Georgia Works program and the Texas Back to Work program, among several others. The Silver State Works program will have a seamless collaboration of partners from the state agencies and workforce boards, including our partners from the Department of Health and Human Services (DHHS), the local workforce boards, Department of Corrections, and the Division of Economic Development.

We will also be folding other partners into this umbrella program through a seamless service delivery strategy. The objective is to assist in expediting the return to work of specific populations of job seekers in targeted sectors. It is an employer-driven program designed to provide employers with skilled workers. The targeted populations of job seekers will include veterans, unemployment insurance recipients, ex-offenders, public assistance recipients, and persons with disabilities. It will also be targeted with, again, the sector initiatives that our workforce boards are entertaining. We are very excited about this innovative approach, because after doing extensive homework throughout the country on a variety of different best practice programs, the Silver State Works program is the program that is designed to meet our state's needs, especially in a time of crisis without any additional revenue.

I would be more than happy to entertain any questions, or ask our CFO to provide a budget outlook of these programs.

Assemblyman Hickey asked Mr. Mosley to illustrate what he meant by hostile and aggressive actions.

Mr. Mosley explained the Department had had windows broken out of buildings, for example, at the St. Louis Avenue building in Las Vegas and at the JobConnect Center. Those hostile acts had happened at the time there were extremely long lines because of the federal delay in unemployment extensions, and people could not get through on the telephone lines. He said it was also during this time that the Department had received several suicide calls at its call centers. The mail center had been moved from DETR's main office to another location mainly because a couple of anthrax threats had closed the mail center down for about four hours, taking employees out of call centers.

Senator Horsford commented that he wanted to go beyond the Department's work with the unemployed and address the concept of the Silver State Works program. He believed this was an area of opportunity for the Legislature to work with the Governor and the Department of Employment, Training and Rehabilitation (DETR) to put people back to work, and he wanted to commend Mr. Mosley and his team for implementing the idea. He said he was sure, based on what had been done in Georgia, Texas, and in other places, that the program had been good for people who needed to get back into the workforce. While he said he knew the Joint Subcommittee would hear more specifics about the program, he wanted to ask three specific things related to it.

Senator Horsford's first question was how to align the target goal of employing 10,000 workers based on high-demand industries. He said, obviously, people were unemployed because there were no available jobs, but he thought it was critical to identify where the state expected to place those workers.

Second, Senator Horsford wanted a better understanding of the type of skills assessment that was given to the unemployed presently in the system. He commented that we think of a person's skill set only as performed in their latest job, but the reality was they had probably acquired other skills from previous employment that was transferrable based on new employment opportunities. He was interested in what type of skills assessment that DETR had been doing, as well as efforts that might need to be done to improve those skill assessments to ascertain what unemployed workers could offer employers.

Senator Horsford said in previous sessions the Legislature had worked with DETR to establish workforce-sector councils. While he realized some councils had been more successful than others, he believed the state needed to align workforce and economic development around human capital development. He said he wanted to highlight those three areas for review.

Senator Horsford said he looked forward to working with DETR, the Governor, his staff, and leadership in both houses because there was nothing more important this session than getting people back to work. He believed the Silver State Works initiative was one opportunity to do that.

Mr. Mosley thanked Senator Horsford and said the Senator's staff had been a tremendous help with DETR as it continued to define the program. He said he would answer the Senator's first and third questions because those questions were closely related to high demand and how the Department was identifying them. Mr. Mosley, addressing the legislation regarding sector initiatives, said

the high demand, high growth areas were identified and would continue to be identified via the sector councils working with both the local workforce boards and the Governor's Workforce Investment Board. Mr. Mosley cited examples of those sectors as the Green and Renewable Energy Sector Job Council, the Healthcare Sector Council, the Manufacturing Sector Council, and the Leisure and Hospitality Sector Council. Mr. Mosley remarked that DETR had received a grant for \$6 million, for energy training. That grant would be coupled with some collaborative opportunities for weatherizing low-income homes. The Department of Employment, Training and Rehabilitation was planning to combine a variety of different funding sources, federal as well as state, to accommodate the sector initiative.

Mr. Mosley believed what would aid the sector initiative-project was for the Legislature and the Governor's Office to consider how the sector members of the sector councils were appointed. According to Mr. Mosley, although great work had been done, more could be done with the sector councils regarding the appointment of appropriate players, with the added interest and influence of Legislative offices and the Governor's Office. Sector initiatives would be one of the areas targeted for the Silver State Works program along with individuals from the Temporary Assistance for Needy Families (TANF) population, from the reentry population, and from the vocational population.

Mr. Mosley requested that Cynthia Jones address Senator Horsford's question regarding skill identification.

Cynthia Jones, Administrator, Employment Security Division (ESD), explained that the workforce investment system currently employed a variety of assessment tools that looked at the skills of the unemployed, not only from their most recent jobs, but over their career path. She said she was excited about some newer tools. One of those tools was available through a national website called Vetcentral. Through that system a departing military service member could enter their grade and rank into the system and the site would translate the job skills to help them understand how their job skills were transferable to the private sector and help workforce professionals place them in appropriate employment. The U. S. Department of Labor was also rolling out a new national skills assessment tool called mySkills, which would help to better identify the skills that our workforce had, to bridge the gap for training needs.

Senator Horsford said the only other point that he wanted to make was about targeted populations. According to Senator Horsford, Nevada had the highest rate of unemployed youth up to the age of 25 in the country. He said it had been documented that young people that were not in school and not working by

the age of 25 would often end up somewhere that no one wanted them to be. Senator Horsford said he knew that the Department of Employment, Training and Rehabilitation (DETR) had tried to utilize the American Recovery and Reinvestment Act of 2009 (ARRA) funding that the state had previously received to provide job opportunities for young people. He noted young people needed jobs as badly as everyone else, particularly those who were caring for young families.

Mr. Mosley said the Senator had an excellent idea, and DETR would definitely integrate the youth as a part of the Silver State Works initiative. He mentioned he had an idea where the Department could secure additional funding. He was certain the Senator and the Joint Subcommittee were aware of Project 5000 Kids that was operating in Las Vegas with the objective of getting 5,000 young people, not only employed, but graduated from high school. Mr. Mosley said the director of the U.S. Department of Housing and Urban Development (HUD) in Las Vegas and DETR were teaming up to discuss a collaboration for youth. He assured the Joint Subcommittee that the Department would report back to the Legislature regarding Silver State Works.

Chairwoman Smith commented that she liked the idea of working across multiple disciplines to help people, and she would be interested to learn in future budget hearings, how that money was spent and tracked. She believed the state had learned a great deal from tracking and spending the American Recovery and Reinvestment Act Of 2009 (ARRA) money, and she would appreciate a continuance of that accountability.

Mr. Mosley stated that DETR was using an umbrella approach with Silver State Works. He said DETR had used plans from the Georgia Works program and the Texas Back to Work program, which were somewhat silo-based programs, one specifically for the Unemployment Insurance (UI) population. As Mr. Mosley had noted, the unemployed were obvious recipients of the program, but additionally, the reentry community and the disabled community would also be accommodated. Mr. Mosley said Senator Horsford's request to include the youth population in the program would be accommodated because the program was designed for that. He commented that he had been informed that a specific plan would be in place within the next two weeks that addressed funding and the accountability of the measurements. He believed the Department would be ready to beta test the program in April 2011 and roll it out in June 2011.

Renee Olson, Chief Financial Officer (CFO), Department of Employment, Training and Rehabilitation (DETR), stated she would briefly describe the overall

organization and funding of the Department and would also provide the major highlights of the budget with additional details as the presentation continued.

Ms. Olson commented that it was hard to believe, but three years ago DETR was making plans to aid employers in finding 140,000 new employees for jobs that were supposed to come on line in Las Vegas with the opening of various commercial properties. Since that time, the mortgage, housing, and credit crises, in addition to the recession, had the Department considering ways to help nearly 200,000 workers find jobs. The Department had spent the past two years building infrastructure and the alliances needed to respond immediately to the unemployment situation and to position the Department to effectively participate in improving Nevada's employment environment and economic prosperity.

The budget put forth today, according to Ms. Olson, maintained what the Department of Employment, Training and Rehabilitation (DETR) had been building and would support statewide strategic initiatives that provided opportunities for Nevada businesses to create jobs and develop a skilled workforce. Ms. Olson said throughout [Exhibit E](#) there were budget highlights, and in the tabs at the back of the exhibit were more detailed listings of the decision units in The Executive Budget.

On page 8 of [Exhibit E](#), DETR's organization was illustrated. Ms. Olson noted the Department had centralized administrative activities, such as human resources and financial management in the Director's Office. These functions supported the main divisions of DETR, such as the Employment Security Division, the Rehabilitation Division, Information Development and Processing Division, and the Nevada Equal Rights Commission.

Ms. Olson directed the Joint Subcommittee to page 10 of [Exhibit E](#) which illustrated the breakout of the Department's funding sources. She explained that the bulk of DETR's funding, approximately 69 percent, came from federal sources, with 9 percent of that funding dependent on state matching dollars. The General Fund was the most significant source of that match; however, DETR had been able to decrease dependence on the General Fund by finding additional sources of match and by maximizing the allowable expenditures from the Blind Business Enterprise program. The rest of the Department's funding came from other sources, such as the Blind Business Enterprise program, penalties and interest in the Employment Security (ESD) Fund, and employer contributions from the Career Enhancement program. Ms. Olson said administrative accounts were funded through cost allocation. Historically, the

General Fund in the Department had made up approximately 4 percent of the total funding.

Page 11 of [Exhibit E](#) showed the amount of General Fund available to the Department that had been decreased by \$2.9 million from the prior biennium. This represented a 29.6 percent reduction from the 2009-2011 biennium to the 2011-2013 biennium. Ms. Olson stated that previously DETR had decreased General Fund by \$2.1 million, which was an 18 percent decrease from the 2007-2009 biennium to the 2009-2011 biennium.

Ms. Olson informed the Joint Subcommittee that the accounts funded by General Fund dollars included the Nevada Equal Rights Commission (NERC), the Bureau of Vocational Rehabilitation (BVR), and the Bureau of Services to the Blind and Visually Impaired (BSBVI).

Ms. Olson noted that in each year for the past four years the Department had been required to return significant federal dollars earmarked for the Rehabilitation Division because of the lack of state matching funds. A similar situation would happen in the upcoming years, but the Department would be working to maximize and identify other sources of matching funds.

Ms. Olson remarked that on a more positive note, the federal funding for the Employment Security Division (ESD) had increased to meet the escalating workload and did not require a matching component.

Ms. Olson stated that the Director's Office, budget account (BA) 3272, requested two new permanent positions, two reclassifications, and three positions to be transferred from other budget accounts that were currently performing administrative type duties. Those requests would allow the Director's Office to adequately support the Department at the current staffing and program activity levels.

The Employment Security Division (ESD) proposed to transfer the Career Enhancement budget BA 4767 into BA 4770, the ESD budget. Ms. Olson said combining the two budget accounts would create a fiscal structure that supported the seamless service provision concept that the Department was trying to achieve. It also improved customer service and increased administrative efficiencies by eliminating costly programmatic and administrative barriers. In line with the seamless service concept, DETR was focusing approximately \$10 million in funding over the biennium for the Silver State Works initiative in conjunction with the Department Health and Human Services.

The Career Enhancement program proposed to eliminate five workforce service representative positions, currently vacant, to realign available funding in support of the Silver State Works initiative. Ms. Olson said, to that end, ESD also proposed to move two Nevada JobConnect offices, which would provide an opportunity to more fully embrace the one-stop concept in alignment with the seamless service goal. The JobConnect office moves would also affect the Rehabilitation Division, which had staff located in those offices.

Ms. Olson said the Department of Employment, Training and Rehabilitation (DETR) would provide approximately \$1 million in Workforce Investment Act (WIA) funding for the apprenticeship program that had been previously administered by the U.S. Department of Education.

The last budget request for the Employment Security Division (ESD) was a one-shot appropriation of \$66 million in General Fund for the payment of accrued interest on the Unemployment Trust Fund loan balances due September 30, 2011.

Senator Kieckhefer wondered whether the \$66 million one-shot appropriation to cover the interest on the loan from the federal government to cover the unemployment insurance benefits would be an ongoing appropriation or whether there was a long-term strategy for dealing with that interest payment.

Cynthia Jones, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation (DETR) said that she did not believe there had been a long-term strategy developed. For this biennium the Governor had recommended the interest cost would be funded through a General Fund appropriation. She noted states used a variety of mechanisms to address the interest costs.

Renee Olson, Chief Financial Officer (CFO), Department of Employment, Training and Rehabilitation (DETR), stated the Information Development and Processing Division (IDP) continued its work on the Ulnv project and requested funding to continue that initiative. The IDP was requesting Master Service Agreement (MSA) contractors for the continued support of legacy systems through the biennium until the Ulnv project was complete. Ms. Olson said the budget requested regular replacement equipment and new equipment needed to support the Department's technology infrastructure.

Ms. Olson explained that two divisions would be facing cuts because of the General Fund reductions. As currently recommended, the budget for the Nevada Equal Rights Commission (NERC) would eliminate five positions, one of

which would likely be a layoff. Those positions slated for cuts included the deputy administrator, three compliance investigators, and one administrator.

According to Ms. Olson, NERC would postpone standard PC equipment replacement until a future biennium, in addition to moving employees to alternate office space. The total General Fund cut to NERC was approximately \$550,000 over the biennium.

Senator Leslie commented that she was concerned about the NERC cuts because in the past there had been discussion about whether the cuts were acceptable to the federal government.

Dennis Perea, Deputy Director, Department of Employment, Training and Rehabilitation (DETR) said the cuts came at a cost. He added that every time an investigator position was lost, 120 cases of capacity were also lost at \$550 per case. The NERC was going to have difficulty reaching the 686 cases required by the federal contract. Mr. Perea did not foresee exceeding that contract until the Department could rehire investigators.

Senator Leslie asked whether Nevada was facing any sanctions from the federal government.

Mr. Perea replied there were no sanctions, but every time the capacity was not met the contract was reduced, which resulted in a downward spiral for the agency. Presently, it was 11 months before a case was assigned to an investigator, but Mr. Perea was hopeful that might improve.

Responding to Senator Leslie's concerns, Larry Mosley, Director, Department of Employment, Training and Rehabilitation (DETR), said that he had gone to Washington, D.C. with Dennis Perea, the former administrator for the Nevada Equal Right Commission (NERC). Senator Reid and Nevada's congressional delegation helped arrange meetings with the U.S. Equal Employment Opportunity Commission (EEOC). Mr. Mosley said the major part of the problem with NERC was the federal funding. The federal government had no appetite to increase funding and the cuts that were made because of mandates from the state level had made it impossible for NERC to perform.

Ms. Olson continued her presentation and stated the Rehabilitation Division would lose three vacant positions due to General Fund reductions: a rehabilitation counselor, a rehabilitation instructor, and a vocational evaluator. She said the Rehabilitation Division had reduced client service dollars totaling \$7.6 million, with approximately 21 percent, or \$1.6 million being General Fund

matching component. Additionally, the Life Skills program would also be eliminated, which totaled \$420,000 over the biennium in General Fund.

Ms. Olson summarized that General Fund cuts to the NERC totaled \$550,000. General Fund cuts to the Rehabilitation Division totaled approximately \$2 million, and federal fund cuts to the Rehabilitation Division totaled approximately \$6 million, for a total cut to the Rehabilitation Division of \$8 million. The global reductions for salaries, merit, and longevity reduced General Fund by an additional \$427,000, which brought the General Fund reduction for the Department to \$2.9 million.

Dennis Perea, Deputy Director, Department of Employment, Training and Rehabilitation (DETR) said he would like to briefly talk about the WorkForce Solutions Unit, Rehabilitation Division, and the Nevada Equal Rights Commission (NERC). Mr. Perea read the following statement into the record:

The 2009 Legislature passed Senate Bill No. 239 of the 75th Session calling for the Governor's Workforce Investment Board to establish sector councils to identify job training and education programs to assist in meeting regional economic goals. The DETR's Workforce Solutions Unit under the direction of the Governor's Workforce Investment Board had been tasked with assisting the Board in the identification of sector councils. The DETR's Research and Analysis Bureau conducted extensive empirical analysis to determine the resources and linkages which point to probable success and detailed industrial evaluation to identify those sectors with sufficient growth. The sectors on page 12 of [Exhibit E](#) are identified as having the highest potential impact.

The Governor's Workforce Investment Board is also required to identify and seek federal funding to provide grants to fund those training and education programs. The grants received to date are detailed on page 13 of [Exhibit E](#).

The DETR is working in conjunction with the local Workforce Investment Boards on a State Energy Sector Partnership grant and DETR will leverage funds from the grant to assist with the Silver State Works Initiative where appropriate.

Page 14 of [Exhibit E](#) details the agencies that make up the Rehabilitation Division. As Ms. Olson indicated, DETR is proposing

the elimination of three positions. Counselors are responsible to assist individuals with disabilities to achieve employment outcomes and carry an average caseload of 101 clients and place a minimum of 30 clients per year into competitive employment. The reduced number of counselors and support staff results in delays in serving the clients. This translates into a smaller number of individuals becoming self-sufficient.

The Nevada Equal Rights Commission, as you can see on page 18 of [Exhibit E](#), is proposing the elimination of five positions, four vacant and one subject to layoff.

Mr. Perea stated he would go into more detail regarding Senator Leslie's question about the Nevada Equal Rights Commission (NERC). Mr. Perea explained that per its contract with the Equal Employment Opportunity Commission (EEOC), NERC was paid \$550 per case result. Each compliance investigator resolved or closed at least 120 cases per year. Losing compliance investigator positions would reduce the number of cases resolved by 120 per year, per investigator, and potentially a proportional amount of EEOC contract funds. Mr. Perea maintained that the Commission might never be able to exceed its current federal contract of 686 cases with the position eliminations.

Page 19 of [Exhibit E](#) referred to the Information Development and Processing Division (IDP), which maintained and enhanced Nevada's workforce automated applications. The IDP's primary responsibilities included supporting DETR's desktop computers, printers, and phone technology, as well as maintaining and enhancing DETR's mission critical data processing systems. Mr. Perea said the IDP was seeking additional training for new technologies that would be introduced as part of DETR's Unemployment Insurance (UI) Modernization effort. He said IDP was also seeking Master Services Agreement (MSA) programming services to help augment required enhancements to DETR's UI legacy applications. The legacy applications would be phased out after the completion of the UI Modernization.

Mr. Perea said that unless there were questions, he would turn the presentation over to Administrator Cynthia Jones to discuss the UI Modernization project and the Employment Security Division (ESD).

Cynthia Jones, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation (DETR) said her portion of the

presentation would cover the information contained on pages 20 through 34 in [Exhibit E](#).

Page 20 of [Exhibit E](#) discussed the Unemployment Insurance (UI) Modernization Project, which was underway, on schedule, and on budget. Ms. Jones said approximately 25 percent of the project was complete including several planned vendor deliverables and \$5.3 million in hardware and software installs. The DETR's budget requested \$6.7 million in fiscal year (FY) 2012 and \$2.9 million in FY 2013 to complete the remainder of the project. The project was expected to be completed in April or May of FY 2013, with a one-year warranty period commencing after that point. Ms. Jones said the final product would replace 30-year old plus technology and would significantly improve the state's flexibility to adjust to changes in the environment. It would better protect the assets of the Unemployment Trust Fund from fraudulent activities, provide much needed management information reports, and improve the customer service experience for both employers and workers who interacted with the system.

Page 22 of [Exhibit E](#) reiterated the budget highlights of the Division as previously reviewed by Renee Olson.

Ms. Jones noted that as previously stated, The Executive Budget also transferred the apprenticeship program from the Department of Education, and would be funded by the Workforce Investment Act (WIA) state set-aside funds.

Chairwoman Smith requested clarification regarding the funding. It was her understanding the funding designated for the apprenticeship programs in the Department of Education budget was not being changed and workforce investment funds would be used instead.

Ms. Jones responded that was correct. It was Ms. Jones' understanding that the program had previously been funded by General Fund, but it had been recommended by the Governor that the apprenticeship program move to DETR in alignment with its mission and goals and the funding be transferred from General Fund to federal funds through the state set-aside Workforce Investment Act (WIA) allocation.

Chairwoman Smith said that while she understood the logic of placing these types of programs together, she would be interested in learning in subcommittee hearings how the Department would make the transition.

Ms. Jones explained the apprenticeship program would be funded by the state set-aside, and there was more flexibility in those funds compared to the formula funds that were allocated to the State Workforce Investment Boards. Other states had programs integrated into their governor's or state set-aside programs, so Ms. Jones said it was believed allowable, but it would be a little different model to administer.

Chairwoman Smith said she assumed the Department would meet with the apprenticeship organizations to establish what worked best to serve those programs.

Larry Mosley, Director, Department of Employment, Training and Rehabilitation (DETR), stated the Department had already started engaging in conversations to understand the requirements for the program and how it could be administered. He assured the Joint Subcommittee there would be meetings with different apprenticeship organizations to not only understand their role, but at the same time to collaborate to make the program work well.

Assemblywoman Carlton referred to the closing of the two offices, one on South Water Street in Henderson and one on South Maryland Parkway in Las Vegas, and asked when those closures would be made.

Ms. Olson responded that the Department did not have a specific date, but the Henderson office was tentatively scheduled to close in FY 2012, and the South Maryland Parkway office was tentatively scheduled to close in FY 2013. She emphasized that the Department was in the beginning phases of looking for properties to replace those closed offices.

Assemblywoman Carlton commented that she was not sure what the delay would be between the closure of one office and the opening of another. She was concerned because clients needed services, and there should not be too much time between the closure of an old office and the opening of a new one. She also wanted to ascertain that offices were not moved to a part of the city that would require clients to take four buses to get to them. Assemblywoman Carlton said she was sure there were vacant commercial properties both in the north and the south that would work for the Department's needs, and she offered any help that she could provide.

Mr. Mosley acknowledged there were major considerations that DETR would be investigating, with bus stops and transportation flexibility a major concern.

Senator Rhoads asked whether there were any performance indicators contained in the Department's budget overview booklet ([Exhibit E](#)).

Cynthia Jones, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation (DETR), responded that there were no performance indicators in [Exhibit E](#). She said she could provide overall information. The DETR had served approximately 60,000 people through the JobConnect system for the past fiscal year, and the Unemployment Insurance (UI) program fielded 1.4 million phone calls in the past year. Ms. Jones said the Department had detailed statistics that would be provided to Fiscal staff, and the Department would provide more detail during committee presentations.

Ms. Jones directed the Joint Subcommittee to page 24 of [Exhibit E](#), for information regarding the Nevada Unemployment Insurance (UI) program. She commented that Nevada continued to be adversely affected by this deep and prolonged recession, having record unemployment rates, and record benefit payouts. The agency continued to pay benefits at high levels, with approximately \$30 million per week going out in unemployment insurance benefits. Ms. Jones said that amount had decreased from the peak level of approximately \$44 million a week. The number of persons currently collecting unemployment benefits fluctuated from week to week.

According to Ms. Jones, since June 2008, the system had paid out over \$4 billion in benefits to eligible workers.

Pages 25 to 27 of [Exhibit E](#) provided charts that indicated claims activity since 2007 and through the estimated outcomes for 2011. Ms. Jones said it was expected that claims activity would begin to diminish as economic recovery took hold, in part because some longer-term unemployed no longer had wage benefits to collect.

Page 28 of [Exhibit E](#) demonstrated the complicated claims environment in which the states operated. Ms. Jones noted that unemployed workers remained eligible for a maximum of 99 weeks with all the federal extension programs, as well as the state extended benefit program. In the last year there had been some lapses in the federal enabling legislation that supported the extended benefit programs. Fortunately, according to Ms. Jones, the most recent legislation passed and signed in late December extended these programs through the end of 2011.

Chairwoman Smith commented that she had heard an interesting report on the news from one of the largest payroll companies in the country, Automatic Data Processing, Inc. (ADP), saying that there had been a decline in layoffs. The only layoffs ADP was presently seeing was with government employees, as the private sector was moving in the other direction. Chairwoman Smith said she was aware that would eventually catch up with us in a good way, but she wanted Ms. Jones' opinion on that information.

Ms. Jones said she did not have detailed information with her on how layoffs were behaving in this state, but that information could be provided to staff. Nevada behaved somewhat differently from the rest of the country based on our service economy. Ms. Jones said Nevada was still continuing to shed jobs in the sectors that the director had discussed, including transportation, construction, and hospitality. Ms. Jones believed the state was highly reliant on how the economies fared in the other states. Nevada was still seeing some job losses, but she hoped they were declining.

Chairwoman Smith said she had also heard a report which stated that worker productivity had escalated while benefits and wages had gone down for two years in a row. She said the observation was that the economy had pushed things to the point that the private sector was going to have to start hiring people because they had maxed out worker productivity. Chairwoman Smith said any information that could be provided on that type of report throughout the session was welcome.

Ms. Jones replied that the Department's economist would be very helpful with that type of information. To maintain a good business model, employers were starting to hire employees as consumer confidence increased. The productivity gains that had been achieved through reduced payrolls had diminished over time, and Ms. Jones was hopeful that would spark hiring.

Mr. Mosley said the Department's chief economist just informed him that he would provide the Joint Subcommittee information regarding productivity and the hiring of workers.

Ms. Jones said given the historic workloads that the Department had been facing in the most complicated claims environment in the 75-year history of the Unemployment Insurance (UI) program, a key initiative that had been implemented was the new virtual-hold program. Ms. Jones explained that a caller could call into the system, and if there was a wait time that exceeded the period of time they desired to wait, an option could be chosen for the system to call them back when it was their turn to speak to a representative.

The Department had a variety of queues for different types of claims and was seeing good benefits and good customer satisfaction from the program.

Ms. Jones informed the Joint Subcommittee that the Aware project was a cost system that was designed to help detect organized fraud activities. As the monies in the system grew, it seemed that the sophistication of fraudulent activity had increased, and the Aware software package helped comb through information and find those organized fraud endeavors. The U. S. Department of Labor Unemployment Insurance Integrity Crossmatch Systems program would help ensure the identity of those who were claiming benefits. Ms. Jones noted the Department had a variety of cross matches that helped verify one's identity prior to collecting benefits, and Crossmatch would be one more such tool.

Chairwoman Smith commented that she had been curious about identification confirmation in a number of presentations, but she knew the goal was to avoid having claimants come into an office and stand in line to get unemployment benefits. She wondered whether there was new technology similar to facial recognition that the DMV used to try to cut down on fraud.

Ms. Jones explained that facial recognition technology would not work in a call-center environment because clients were rarely seen. However, DETR had a variety of cross matches and mechanisms that were utilized to verify identity. The Department also utilized random call-ins where clients and applicants came into the office and provided their identification. The Department had scanning devices that validated driver's licenses. Ms. Jones said the devices matched the bar codes on the back of the license with information on the front of the license. The devices were used in all JobConnect offices, and while it was not 100 percent validation, the technology aided in detecting and preventing fraudulent activities.

In response to a question from Senator Denis, Ms. Jones said the Department had not had any false negatives thus far, but if a client believed that they were the victim of a false report, the Department would accept other forms of identification and work to resolve those issues.

Senator Denis asked whether the Department required a driver's license from an applicant or client or whether they could use other identification. He noted that some people did not drive.

Ms. Jones related that the Department accepted driver's licenses or Nevada I.D., which could be run through recognition devices to validate them, but the Department also accepted nine forms of identity, such as passports, when doing the random I.D. checks.

According to Ms. Jones, the Department also had a cross-match system with a variety of databases, which aided in positively identifying claimants when they qualified for unemployment insurance. If there was a mismatch of the data provided, the Department would send the applicant or claimant an affidavit of identity form. The client would then have a notary public validate their identity, and those forms were returned to the Division.

The agency had added additional phone lines to meet the demand of the Unemployment Insurance (UI) system. Ms. Jones related that the Department had made significant improvements to the Internet claim-filing system that allowed individuals to establish and reopen, not only regular claims, but federal extensions, 24 hours a day, 7 days a week. The Department had also opened four satellite offices to assist in housing additional staff.

Ms. Jones stated that Nevada's Unemployment Trust Fund was significantly in the red as a result of historic claims payouts. Page 30 of [Exhibit E](#) provided a visual representation of the inflows and outflows of the Trust Fund, as well as the resultant Fund balances from 1990 forward.

Page 31 of [Exhibit E](#) served to demonstrate that the Trust Fund was in good shape going into the recession. While the majority of the 35 states that had to borrow funds were clustered in the 7 percent to 10 percent unemployment rate, Nevada's Trust Fund was able to withstand an unemployment rate of over 13 percent before borrowing. According to the National Employment Law Project, Nevada was one of four states considered a "no-fault" state when borrowing funds to pay unemployment insurance benefits. Ms. Jones explained that "no fault" meant Nevada met the minimum recommended solvency level established by the federal government, but had to borrow funds to pay unemployment insurance as a result of the recession.

As discussed on page 32 of [Exhibit E](#), Nevada went into the recession with nearly \$800 million in reserve. To date, Nevada had borrowed over \$675 million for the continued payment of regular unemployment insurance benefits. Ms. Jones said the extended benefit programs were 100 percent federally funded. The unemployment insurance contribution, or tax rate schedule, was set each year by regulation with public input and the recommendation of the Governor-appointed Employment Security Council.

This year's average tax rate was increased from an average of 1.33 percent to 2 percent. Ms. Jones noted that this increase, however, only slowed the rate of borrowing for this calendar year, and as a result of this increase, collections were expected to be \$136 million higher than if the rate had stayed the same. By the end of calendar year 2011, the agency projected the Trust Fund would have a deficit of approximately \$890 million. Ms. Jones said if the rate was kept the same, it was expected that the deficit would grow to \$1.08 billion by the end of calendar year 2012.

The Governor's recommended budget contained an approximate \$66 million General Fund appropriation to pay the interest due on Trust Fund loans over the biennium. The Trust Fund began accruing interest as of January 1, 2011. The American Recovery and Reinvestment Act of 2009 (ARRA) had waived interest for the most recent years for which the states had to borrow funds.

Ms. Jones explained that a delay, or failure to make interest payments, would result in immediate decertification of the state's unemployment insurance program, which meant removal of access to loans for the continued payment of benefits, loss of administrative funding, and an increase in the federal tax rate for federal unemployment insurance taxes to Nevada employers, valued at approximately \$400 million per year.

According to Ms. Jones, there was no federally required payback time frame for the loan principal. Loan repayment would be a function of economic recovery and tax strategy and would begin when inflows to the Trust Fund exceeded outflows. As benefit payments decreased and revenues increased as a result of increased payrolls, Nevada would be able to begin loan repayment. However, federal provisions regarding federal unemployment insurance taxes would "trigger" should a state have outstanding loans on January 1 for two consecutive years. Ms. Jones noted that Nevada was currently in that situation.

Ms. Jones said federal unemployment insurance taxes increased each year that a state had outstanding loans. Increases to the federal taxes were 100 percent dedicated to loan payback on behalf of Nevada employers. She said this was the first year Nevada's employers would be subject to a federal unemployment insurance tax increase of \$21 per employee. The increase would result in the repayment of approximately \$20 million of outstanding debt for 2011. Ms. Jones explained that for each year that loans were outstanding, the federal unemployment insurance tax increased to be used toward loan repayment.

In response to a question from Assemblyman Goicoechea, Ms. Jones said if the unemployment insurance tax rate was kept at the same rate that was adopted for 2011, Nevada could anticipate repayment of the federal loan by the end of 2018.

Assemblyman Goicoechea asked whether every January Nevada employers could expect an increase in the Federal Unemployment Tax Act (FUTA) tax.

Ms. Jones responded that the FUTA tax would increase unless the Department could find a way to pay off the loans. There was a provision within federal law that stated if a state could pay off loans by November 9th of each year, employers would not be subject to the increased FUTA tax. Ms. Jones said the Department was investigating financing alternatives with the Department of Administration and the Governor's Office, as well as with the State Treasurer. Other states had considered bonding-type alternatives to avoid the offset, but that solution had its own complications and risks. While the Department was considering other funding strategies, based on the current statutory construct, Nevada employers would be receiving tax increases from year to year.

Assemblyman Goicoechea asked whether his calculation was correct and the cost to repay the loan was over \$1 billion.

Ms. Jones said the \$1 billion loan repayment amount was correct and was for this biennium only; the loan amount could continue to increase. She said that if Nevada continued to keep the rate at 2 percent, it would continue borrowing until the economy recovered.

Assemblyman Conklin remarked that the reality was that business was going to go through a cycle nationally and service sector hiring had gone up for possibly the 13th straight month. He cautioned against "looking at a snapshot in time," when considering the Trust Fund because the pendulum could swing quite quickly.

Ms. Jones stated that the Department's rate-setting mechanism, through the regulatory process and with input from the Employment Security Council, had the opportunity to be adjusted each year based on economic conditions. She said while the Department had to anticipate what conditions would be in the future, Nevada had a flexible system that could adjust. Ms. Jones added that if the tax rate were to remain at 2 percent, Nevada would be able to borrow a maximum of \$1.2 billion.

Assemblyman Conklin said the assumptions of that \$1.2 billion were flat employment, and he asked whether employment growth was included in that figure to accelerate the payback.

Ms. Jones replied that employment growth and reduced benefit payments were included based on the trends that were developed by the Department's Research and Analysis Bureau.

Assemblyman Hickey said he wanted to go on record that there were some tax increases already being considered in this session.

Assemblyman Conklin noted that the Federal Unemployment Tax Act (FUTA) tax was not a tax increase imposed this session, but was an ongoing federal requirement. Assemblyman Conklin said the Employment Security Division (ESD) had the authority to change the rate and did not have to come before the Legislature for permission.

Ms. Jones commented that the state unemployment tax rate was set by regulation, which received legislative oversight by the Legislative Commission, as was the case of the adoption of any other regulatory change. But, Ms. Jones said, it was required by current statutory construct that the administrator put forth a tax schedule each and every year that adjusted the tax rates toward the goal of having a solvent trust fund with adequate reserves.

Assemblyman Goicoechea asked whether the \$21 increase in the FUTA tax was annual, monthly, or per pay period. Ms. Jones responded that the increase would be annual.

Senator Horsford inquired as to whether the MOD [Experience Modification Factor] rating for employers with higher rates of employment affected which employers paid more than the average employer.

Ms. Jones explained that through the statutory construct, and as required by the U.S. Department of Labor, ESD had an experience-rated system. There were 18 different statutory rates of employment insurance tax contributions within the system. Ms. Jones said the idea was that cost-causers, or cost-payers, those who had more experience with the system, paid higher rates than those employers that had less experience. The system was designed to be blind to industry-employer size. A percentage calculation, called a reserve ratio, placed them in the appropriate tax stratification.

Senator Horsford wondered how the experience-rated system applied to Nevada's number two industry, construction, which had the highest amount of unemployment. He also asked what happened to those businesses that had closed because of the economy and whether unemployment insurance costs were shifted to businesses that were still open.

Ms. Jones explained that it did not matter what the industry type was, it was a matter of benefits paid against how much an employer had paid in and weighed against average payroll. She said the industry type did not matter, but the construction industry, having been hit the hardest with unemployment, would experience faster rate increases.

Ms. Jones stated that approximately 8,000 of Nevada's 32,000 experience-rated employers received a rate increase as the result of the most recent tax schedule implementation. Ms. Jones explained that even absent a tax rate increase, just by virtue of their experience, those employers would move to the next highest tax strata. The rate increase was also a result of the shifting of which reserve ratios fell into which tax strata to facilitate generating the extra \$136 million of revenue that the rate increase would realize. Ms. Jones said it was a combination of those two factors that would affect an individual employer's experience rate.

Addressing businesses that closed, Ms. Jones said the Division maintained permanent records, so should those businesses reopen, those rates and experience would affect the new rate. She noted a certain amount of those types of costs were socialized throughout the system.

Senator Horsford asked whether only federal guidelines were used to determine the rate structures, or whether there was any latitude at the state level to adjust the rates.

Ms. Jones said the state had latitude to adjust the experience rating system, as long as Nevada's adjustments conformed to the federal requirements of an experience-rated system and had undergone a conformity review with the federal government.

In answer to a question from Assemblyman Goicoechea, Ms. Jones stated the maximum rate was currently 5.4 percent for the highest tax bracket and 0.25 percent for the lowest.

Ed Guthrie, representing Opportunity Village, read the following statement into the record:

Madame Chair my name is Ed Guthrie. I am with Opportunity Village, a community rehabilitation program that provides training and rehabilitation and employment services for people with intellectual and other disabilities. I would just like to comment on page 15 of [Exhibit E](#).

First, I would like to say that the unemployment rate for individuals like myself who do not have a disability is somewhere between 9 percent and 10 percent, while the unemployment rate for people with disabilities, all types of disabilities, is well over 30 percent. The unemployment rate for folks with intellectual disabilities is well over 50 percent. Over half of the individuals who make less than 30 percent of the area median income, are people with disabilities. So, when you are thinking of the poorest of the poor, you would be thinking of folks with disabilities, because those are the folks that make up that category.

That is on the need side. You can obviously see there is a substantial need for these types of services for those types of individuals to get them back to work or to put them to work in the first place.

On the economic side, the U. S. Rehabilitation Services Administration funds vocational rehabilitation services with the federal share of vocational rehabilitation services. It probably has the richest match of any federal program that I know of. For every dollar the state puts up, the state gets \$4 worth of federal money. For every dollar the state cuts, the state cuts \$4 worth of federal money out of the budget. When you are cutting \$1 million, you are really cutting \$5 million worth of services. I know these are tough budgetary times, and I appreciate that, but I would suggest that anything you can do to fund vocational rehabilitation services pays off in a human way and also pays off financially for the State of Nevada. We are more than willing to work with the Legislature and with the Department of Employment, Training and Rehabilitation (DETR) to find ways to maximize federal funds in any way possible so that we can provide the most services to the most people and get people back to work.

Chairwoman Smith closed the hearing on the Department of Employment, Training and Rehabilitation Budget Overview and opened the hearing on the Office of Veterans' Services Budget Overview.

OFFICE OF VETERANS' SERVICES BUDGET OVERVIEW

Caleb Cage, Executive Director, Office of Veterans' Services, introduced Joseph Palmer, Administrative Services Officer (ASO), and Nancy Jensen, ASO.

Mr. Cage read the following statement into the record ([Exhibit F](#)):

The 2011-2013 biennium budget for the Nevada Office of Veterans' Services (NOVS) is covered by budget account (BA) 2560 and BA 2561. These budgets dictate all the programs and activities necessary to assist the veterans of Nevada, their widows and family members, in receiving any and all aid earned through military service to the United States.

In 2000, the veteran population for Nevada was approximately 238,000, while the agency's fiscal year (FY) 2000-2001 budget was just under \$1.2 million. The Nevada State Veterans' Home in Boulder City had not yet been built at that time.

During the last biennium the veteran population has exceeded 340,000, by our best estimate, and the agency budget has grown to approximately \$19 million, with approximately \$2 million of those dollars coming from the General Fund.

If you take a snapshot of the NOVS staff you will find that we have 186 employees, who each care for nearly as many residents as a nursing home, 24 hours a day. You will find 17 employees who bury 2,000 veterans and their family members each year. You will find 9 veteran service officer positions, which each bring in more than \$20 million of new tax-free benefits to Nevada's veterans each year, which is on top of millions of dollars in benefits paid to veterans annually.

In these last few years we have made some difficult, yet fruitful, decisions regarding the future of the agency. We have aggressively pursued federal grants to provide for the necessary expansion of the two cemeteries while continuing to work both cemeteries with reduced staff.

We have reduced the prioritization of the proposed Northern Nevada Veterans' Home due to budget constraints and will no longer pursue this initiative this biennium.

Responding to a perceived public image problem facing the agency, we have contracted the services of a public relations expert through the use of donated funds from the gift account, to not only increase the occupancy of the Boulder City Veterans' Home, but also to alert veterans of our services, both of which increase agency revenues and revenues to the state.

Our proposed budget funded a plan to maintain our current level of service at a local level to every veteran of Nevada, continue to improve the exceptional service and atmosphere of the Nevada State Veterans' Home in Boulder City, and adequately staff the agency to meet the needs of veterans of today and of the future.

As suggested by the agency that is proud to be able to continue to do a lot with a little for Nevada's veterans, we have enhanced services to veterans through improved facilities throughout the state, improved systems, and improved outreach capabilities.

From the standpoint of NOVS facilities, the improvements have been tremendous. The Nevada State Veterans' Home was experiencing accelerated equipment denigration due to the water supply in Boulder City, and this issue has been solved with the new soft water system.

Similarly, the Southern Nevada Veterans' Memorial Cemetery has continued to progress with recent construction of a new maintenance building, and the ongoing efforts to construct a new administration building on the site, with a total cost of over \$7 million and a cost to the state of just over \$661,000. Both cemeteries are undergoing ongoing expansions in order to remain available for veterans and their eligible dependents.

We have several new systems that we have introduced in order to streamline and meet the needs of our veterans as well. The electronic medical records system has been implemented in the Boulder City Home and has allowed that organization, that aspect

of our agency, to remain HIPAA [Health Insurance Portability and Accountability Act of 1996] compliant as well as serve the veterans in a more expedited way. This system has had some missteps so far, but has been rated among some of the top functioning systems for all the state veterans' homes throughout the country.

The veterans' service officer staff has also implemented the "Virtual Veteran" software program, which allows us from an administrative capability to oversee what the veteran service officers are doing, if they are complying with the necessary demands that our constituency places on them. It also allows them to input veteran's claims much more quickly, which is a crucial aspect of their job. Based on the latest report from the Veterans Administration (VA), approximately 31,000 veterans are bringing in over \$320 million.

Serving these veterans has improved through efficiencies like the software capabilities. Finally, there has been an enormous increase in outreach. We, as well as every other state, have realized an enormous growth in the number of veterans we serve from the ongoing campaigns in Iraq and Afghanistan, and the support operations for both of those theaters. One complaint that we constantly field and will always field from our constituency is supply versus demand; our ability to supply services to the veterans when the demand is growing.

Local area veterans and military personnel who may be unaware of benefits and services they are eligible to receive have been able to increasingly meet with NOVS staff through the mobile outreach office, which we are planning to get back on the road to eastern Nevada in February. We have a schedule to get it out throughout the state for the remaining months of the year and through next year. The program is funded by the gift account as well. That is not a General Fund expense.

Another outreach measure continued through the agency is the women's veteran outreach initiative, which is headed up by my deputy director, Carole Turner, who does this on a daily basis through resource management within the office and also communication with the different women veterans' organizations throughout the state. Also, through the Women Veterans Summit

which is coming up in March. There are approximately 24,000 women veterans in the state and we feel this is a demographic that is underserved and we are doing our best to ensure that they are served.

Our agency goals are to provide a full continuum of quality service.

Assemblyman Hickey asked whether the Nevada Office of Veterans' Services (NOVS) was communicating in any systematic way with employers in Nevada about a potential employee pool of veterans.

Mr. Cage responded that the NOVS had been working on several projects with members of the business community, veterans and military-related organizations, and with organizations that ran similar programs in other states to plan a model that would be multi-agency. Mr. Cage said the NOVS would like to work with the Commission on Economic Development, with their new focus, and include a veterans' initiative with the Department of Employment, Training and Rehabilitation (DETR), as well. The NOVS was working with organizations like the Nevada Military Support Alliance, which was organized of business and community leaders throughout the state. He said there had also been discussions with Brigadier General William R. Burks of the Nevada National Guard to ascertain whether there was a possibility of creating a multi-agency approach that could deal with employing veterans.

Assemblyman Hickey commented that he had heard the Nevada Office of Veterans' Services' (NOVS) ads in northern Nevada for vacancies in the Veterans' Home. He wondered what the occupancy rate was at the Veterans' Home, and said he was surprised, especially in the present economy, there were open beds.

Mr. Cage said the occupancy at the Veterans' Home was currently 167 residents out of a possible 175 occupants with 98 percent of those residents from the Las Vegas area. Very few of those occupants were coming from northern Nevada, according to Mr. Cage, but came from the local community. Gary Bermeosolo, the administrator for the home, had made census the number one priority. Mr. Cage agreed that it was a crucial and constant battle to keep those beds full.

Mr. Cage continued his presentation:

The further agency goals are to provide an environment of growth and opportunity to our employees and to provide our community and partners the opportunity to contribute to this endeavor.

In order to close the projected deficit of the 2011-13 biennial budget, the NOVS was asked to prepare additional budget reductions in the amount of \$632,322. This number is in addition to the agency's 10 percent reductions already submitted. The NOVS budget was reduced by 10 percent and ultimately three positions were eliminated, two of which were veterans service officers, and one was the deputy director's executive assistant. These positions are vital to the support of the agency and will reduce our overall effectiveness.

The total reductions offered for return to the General Fund by the agency were \$834,075, more than \$200,000 over the requested amount of \$632,322. We were able to offset this reduction by increased funding elsewhere, which will be discussed.

The Nevada State Veterans' Home recommended a 3 percent per year increase in the daily rate for veterans and nonveterans in keeping with the Medicare Medical cost index of 3.4 percent. The Budget Office removed the 3 percent increase in the daily rate, keeping the daily rate at \$110. This revenue decrease will be absorbed by reductions in costs generated by the salary decrease of 5 percent. Since the Home is not requesting any General Fund, it will not be returning any money to the General Fund.

As with every agency out there in the state, NOVS has adjusted to fit the budgetary and economic constraints facing the state as a whole. While this has presented some welcome opportunities to streamline services and increase efficiency, it has also presented several challenges to the agency moving forward. Specifically, several issues facing the agency have to do with compliance that is currently unfunded. For example, much of our operational money for the cemeteries comes from the federal government. The National Cemetery Administration is a function of the federal Veterans Administration and we are held to their standards. Accordingly, as mentioned, during a recent audit by the

National Cemetery Administration, the Southern Nevada Cemetery was listed as noncompliant due to headstone alignment issues. This is caused by the type of dump truck and excavator that is used there at the site and replacing these appears to be the only way to get back in compliance with our major funding source at this time.

Another example came from Assembly Bill No. 3 of the 75th Session which required green grass to be above and around all of the graves. This has had an exponential increase in our utility fees in Boulder City, especially, and comes with great cost to the overall operations of the agency.

Also, we are required to remain open on specific holidays, for instance, Memorial Day and Veteran's Day. This requires more flextime for the agency. Another foreseeable challenge impacting the agency is best described as one of demand exceeding capacity. We have a total of eight veteran service officers and approximately 340,000 veterans throughout the state. Because of the ongoing operations in Iraq and Afghanistan, this will not be quelled any time soon.

As always, unanticipated maintenance needs throughout the agency can be costly, but necessary, in ongoing operations. The NOVS anticipates repair and maintenance costs due to aging equipment, especially videoconferencing equipment and heavy equipment at the cemeteries. The Veterans' Home anticipates repair and maintenance items caused by the Home reaching ten years old during the biennium.

As you can see from the budget we have proposed, we do not have any enhancement requested. We do, however, have some specific equipment requested that we would like for you to consider. Requests include computer hardware and software replacement due to aging and cyclical turnout. The Office of Veterans' Services information technology equipment must remain compliant to the Veterans Administration standards in order to be able to access their system.

As alluded to before, the Southern Nevada Veterans' Memorial Cemetery is out of compliance on headstone alignment. This is above and beyond the fact that they are an exceptional part of our

overall offering to veterans and their families here in the state. They are regularly seen as a model for excellence around the country and they are in fact the second busiest state and federal entity cemetery in the country, but they are being critiqued for their headstone alignment issues. The Budget Office removed a request for \$65,000 for a dump truck and \$40,000 for an excavator out of our budget request. We were able to purchase those items through a gift account affiliated with the Veterans Memorial Cemeteries in order to remain compliant, and in order to continue to serve veterans, in order to continue to expand those cemeteries. We felt that was a justified use of those funds and without using any General Fund dollars.

Chairwoman Smith commented that the NOVS might want to investigate programs operated by the federal government allowing state agencies or nonprofits to receive excess equipment at no cost. She said the apprenticeship programs, in both southern and northern Nevada, used that procurement process.

Mr. Cage continued his presentation:

Also, the last significant maintenance item, the bariatric rooms, which were anticipated as an enhancement to meet the needs of the resident population in the Boulder City Home, have been removed from the budget for the coming biennium. We are still pursuing those through other means as well, but those have been removed.

As I mentioned, we were asked to give \$632,000 plus back to the General Fund and we were able to give over \$830,000 back. That is due to federal funding sources.

There are currently two major projects under way that are relying on federal funding with state match, both of which are at the Boulder City Cemetery. The first is the design of a 3,400 square-foot administration building, as well as the design and construction of 535 in ground cremains, 315 double-depth burial vaults, and 9,950 new in-ground burial sites. This project has high National Cemetery Administration priority and will likely be funded for construction in fiscal year (FY) 2012. This will result in full casket and in-cremain sited for approximately 8.7 years.

That gives us plenty of room to grow down there at the Southern Nevada Cemetery.

The second project would add an additional 2,000 cremation niches and approximately 2,900 double-depth crypts, and expanded existing sections of double-casket burial plots as well. Current burial rates will exhaust the current supply of columbaria in 2016 and the double-depth crypts by approximately 2013. These projects remain necessary for us to continue operations there. One hundred percent of the eligible costs of this project are paid by a grant administered by the federal Veterans Administration. This project will not be prioritized for 2012 and 2013 by the State Public Works Board due to costs and need, and the fulfillment of that need by the other expansion project. We will resubmit this project and we are constantly in talks with the National Cemetery Administration to do so.

Also at the cemeteries and this is a huge boon for us, fiscally and financially, the burial allowance provided for each veteran buried is currently \$300; however, as of October 2011 this will increase to \$700, which will add tremendously to the agency's efforts to continue to provide an exceptional final resting place for Nevada's veterans.

Finally, the Veterans Administration (VA) reimbursement rates at the Veterans' Home have increased to such degree that they are assisting it in becoming self-supporting, requiring no General Funds beginning July of 2011.

As indicated, NOVS will be forced to reduce the number of veterans served. There is currently a six-week wait for interface with a veteran service officer in our offices in Reno, Las Vegas, Fallon, and Elko. This has a huge impact on the veteran's ability to receive his or her benefits. Additionally, each NOVS service officer wins an average of \$1 million in VA benefit dollars for Nevada's veterans each month. Each veteran service officer works with, or works on, a claim of over 120 veterans per month and the number of veterans submitting claims that are denied because they were unassisted by the VA will greatly increase.

The 5 percent salary reduction created an apparent surplus in the budget for the Home that is still proposed; however, maintenance equipment and vehicles removed from the Home's budget may be purchased from this apparent surplus if necessary for safety and care of the patients.

A position eliminated at the end of fiscal year 2010 will remain eliminated, moving into the next biennium. Also, although it has been recommended that furloughs be eliminated, a 5 percent salary reduction is incorporated as well as the elimination of longevity and merit increases. Nothing new there for our agency.

The Office of Veterans' Services eliminated three positions, while the Home eliminated no positions. The positions eliminated in the budget were vacant and not filled.

Our proposed indicators for the agency for fiscal year (FY) 2012 and FY 2013 are \$70 million and \$80 million and that is veteran's benefits returning to veterans within the state. Claims filed are approximately 4,800 and 5,000 for each fiscal year.

The Governor's recommendation is approximately \$54 million versus \$70 million and \$62 million versus \$80 million and a reduction in claims as well. This is due to the reduction in the VSO staff; two are positions we have had to give up in order to remain solvent at this time.

The measures, we believe, represent the agency's ability in a satisfactory manner.

Madame Chair, that concludes the formal portion of my presentation. I am open to any discussion or questions at this time.

Chairwoman Smith congratulated Mr. Cage on his new position with the Office of Veterans' Affairs (NOVS) and welcomed him before the Joint Subcommittee. She commented that while she knew NOVS was coping with budget reductions like everyone else, she believed it was very sad that services were being cut to veterans at a time when Nevada's veteran population was growing so rapidly.

Assemblyman Grady said he had the honor of serving on the Advisory Committee for a Veterans' Cemetery in Northern Nevada. He said the Veterans' Cemetery in Fernley was very well maintained with a small staff and very little money. Assemblyman Grady said through the aid of the Office of Veterans' Services, and through mostly donated money, the dirt road leading into the cemetery was now paved.

Chairwoman Smith commented that she could not let the opportunity pass to make note that her husband and other volunteers through an apprenticeship program paved the road into the cemetery, which was another example of a great partnership. She acknowledged the cemetery was very nice, and she appreciated the access for residents in northern Nevada.

Senator Cegavske said she thought it was a fitting time to remember the late Senator Lawrence Jacobsen as veterans' services had meant a great deal to him.

Chairwoman Smith closed the pre-session budget overview hearing.

The meeting was adjourned at 11:38 a.m.

RESPECTFULLY SUBMITTED:

Anne Bowen
Committee Secretary

APPROVED BY:

Assemblywoman Debbie Smith, Chairwoman

DATE: _____

Senator Steven A. Horsford, Chair

DATE: _____

EXHIBITS

Committee Name: Legislative Commission's Budget Subcommittee

Date: February 3, 2011

Time of Meeting: 8:38 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Chief Justice Michael L. Douglas, Supreme Court	Budget Request Overview
	D	Chief Justice Michael L. Douglas, Nevada Supreme Court	Judicial Branch Caseload Statistics
	E	Larry J. Mosley, Director, Dept. of Employment, Training and Rehabilitation	Budget Overview 2012- 2013
	F	Caleb S. Cage, Executive Director, Nevada Office of Veterans' Services	Report to the Joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means