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

Seventy-Sixth Session
March 16, 2011

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government was called to order by Chair Marcus Conklin at 8:01 a.m. on Wednesday, March 16, 2011, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, 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).

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Marcus Conklin, Chair
Assemblyman Paul Aizley, Vice Chair
Assemblyman Tom Grady
Assemblyman Randy Kirner
Assemblyman John Oceguera

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Moises (Mo) Denis, Chair
Senator Ben Kieckhefer
Senator David R. Parks
Senator Dean A. Rhoads

SUBCOMMITTEE MEMBERS EXCUSED:

Assemblyman Kelvin Atkinson

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Brian Burke, Senior Program Analyst
Carol Thomsen, Committee Secretary
Sally Stoner, Committee Assistant

Chair Conklin indicated that the Subcommittee would review the budget accounts within the Department of Employment, Training and Rehabilitation.

Larry Mosley, Director, Department of Employment, Training and Rehabilitation (DETR), explained that DETR was home to the Employment Security Division; the Rehabilitation Division; the Nevada Equal Rights Commission; the Information Development and Processing Division; and the Research and Analysis Bureau.

Mr. Mosley introduced Renee Olson, Administrative Services Officer (ASO) 4, and Dennis Perea, Deputy Director. In addition, said Mr. Mosley, other members of the Department's leadership team were present and would address the Subcommittee regarding the individual budget accounts within DETR.

Mr. Mosley informed the Subcommittee that Nevada continued to experience severe problems from the nation's economic woes. For example, the state had the highest unemployment rate in the country at 14.2 percent. While economists believed the end of the recession was upon the nation, there was no end in sight for the unprecedented number of Nevada citizens seeking the services provided by DETR through its various divisions.

Mr. Mosley said DETR was committed to its mission of being a proactive workforce rehabilitation agency. The main goal of DETR was to provide Nevada businesses with a trained workforce. The Department worked in collaboration with economic development efforts to ensure that adequate jobs were available in the workforce for those with disabilities to help them compete for jobs in the job market and to prevent discrimination in the workplace. Although those were lofty goals, said Mr. Mosley, DETR had thus far been very successful.

Mr. Mosley said he was present at the Subcommittee to share an overview of the Department's budget for the 2011-2013 biennium and explain how the budget would support DETR's plans for continuing its mission to ensure an improved quality of life for those who sought its help.

Mr. Mosley said with the Subcommittee's indulgence, he would like to briefly highlight recent recognitions received by DETR. It should be noted that those achievements were accomplished during the height of turmoil in the area of Unemployment Insurance (UI), and at a time when Nevada had the highest unemployment rate in the nation. Mr. Mosley said during that time of turmoil, the Department's Director, deputy director, rehabilitation administrator, equal rights administrator, human resources manager, assistant to the director, and the UI deputy administrator had been appointed. The majority of those appointments came about because of promotions. During that time, DETR was in the midst of a massive department-wide reorganization that was done to ensure more opportunities for employment through increased efficiency and collaboration in economic development efforts.

According to Mr. Mosley, in December 2010 DETR received nationwide recognition by the U.S. Department of Labor for the highest level of performance in key areas of the state's UI operation. The Employment Security Division was also the recipient of the 2010 Cashman Good Government Award for the successful implementation of the UI benefit debit card initiative. Furthermore, said Mr. Mosley, the Division had been acknowledged by the Nevada employer community for the outstanding and consistent fiscal integrity of the state's UI system.

Mr. Mosley reported that the Department's Research and Analysis Bureau had been recognized as having one of the strongest labor market information programs in the country. The Division's analytical work on behalf of the Employment Security Council and Governor's Workforce Investment Board was lauded each year by members as they went through the process of making UI recommendations for the following calendar year. Mr. Mosley indicated that the Research and Analysis Bureau was used throughout the state to provide updated information on a variety of different workforce initiatives.

According to Mr. Mosley, the mission of the Department's Vocational Rehabilitation Division was to provide options and choices for persons with disabilities to work and live independently. He noted that Division had also received recognition from the community for outstanding service to customers with disabilities. Additionally, the Division was recently acknowledged by the U.S. Social Security Administration for exemplary performance in the adjudication of disability claims. Mr. Mosley advised the Subcommittee that he was extremely proud of the Department and its employees who provided vital services to Nevada's citizens.

According to Mr. Mosley, the budget that would be presented to the Subcommittee today included the Silver State Works (SSW) initiative. In accordance with the Governor's directive, DETR would implement the innovative employment and training initiative in collaboration with the Department of Health and Human Services (DHHS) and workforce investment system partners that included local workforce investment boards, the Department of Corrections, and state and local economic development agencies. Mr. Mosley explained that through a seamless service delivery strategy, the SSW program would assist in expediting the return to work of specific populations of job seekers in targeted sectors, and provide employers with suitable and skilled workers. The targeted population of job seekers would include:

- Veterans
- UI benefit recipients
- Ex-offenders
- Temporary Assistance for Needy Families (TANF) recipients
- Persons with disabilities

Mr. Mosley stated that the SSW program would provide for employee/employer incentives, community work experiences, targeted technical training, and employment. In developing Nevada's SSW initiative, the Texas Back-to-Work Initiative, the Georgia Work$ program, and on-the-job training (OJT) programs from Washington, Utah, and other states, were benchmarked. Mr. Mosley indicated that the SSW initiative designed by DETR and its partner agencies would be completed by July 1, 2011. Mr. Mosley pointed out that no new or additional funding had been requested for the SSW initiative.

Also included in the budget for DETR, said Mr. Mosley, were the next phases of the Unemployment Insurance (UI) modernization project. The Department was replacing its 30-year-old legacy application and introducing newer technology to further improve customer service and responsiveness and to provide improved management capabilities. Mr. Mosley said the budget included multiple previously approved project deliverables and work products. He noted that the legacy system currently slated for replacement was 30 years old. During the recent unemployment explosion, the legacy system had literally been held together with tape, and DETR's greatest nightmare was that the legacy system would crash.

Mr. Mosley explained that DETR was requesting to move two existing Nevada JobConnect offices to new locations to realize the true intent of the Workforce

Investment Act's vision of a one-stop career center. The new locations would be Americans-with-Disabilities-Act- (ADA) accessible, have sufficient customer parking, and would facilitate seamless service delivery. Mr. Mosley said the offices would be placed in locations where public transportation was easily accessible. The Department was in the process of reviewing locations, and was working with its partners from local workforce investment boards and community colleges to understand how best to collaborate on a true one-stop shop.

Mr. Mosley stated his vision of the concept would include DETR's federal and private sector partners as components of the one-stop shop that would provide seamless services. He said he had been extremely impressed when he benchmarked the Utah OJT program, where persons received seamless services regardless of their status. That was the goal of DETR in redesigning and reconnecting its JobConnect program.

According to Mr. Mosley, DETR would continue to seek new partners and refine and expand its delivery of modernized program technology to ensure that Nevada citizens received the most efficient and effective service possible in the current economic times.

That concluded Mr. Mosley's remarks, and he indicated that Ms. Olson would address basic budget issues for the Subcommittee.

Renee Olson, Administrative Services Officer (ASO), DETR, explained that all budget accounts within DETR contained global decision units that would not be discussed in detail during individual budget presentations. She stated she would be happy to answer further questions from the Subcommittee about the global decision units should additional details be required. The aforementioned global decision units included both maintenance (M) and enhancement (E) decision units as follows:

- M100, Statewide inflation
- M300, Fringe benefit rate adjustment
- M800, Cost allocation
- E670, 5 percent salary reduction
- E671, Implement salary freeze
- E672, Suspend longevity for fiscal year (FY) 2011-12 and FY 2012-13
- E673, Reduce PEBP (Public Employees' Benefits Program) subsidy for part-time employees
- E710, Equipment replacement

- E800, Cost allocation

Ms. Olson noted that DETR followed the standard Department of Information Technology (DoIT) equipment replacement schedule. She informed the Subcommittee that administrators would use The Executive Budget for their presentation and DETR had submitted no exhibits to the Subcommittee for its budget presentation today. Ms. Olson stated that she would stand by for questions, and she introduced Mr. Perea who would present budget account (BA) 3272.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—ADMINISTRATION (101-3272)
BUDGET PAGE DETR-1

Dennis Perea, Deputy Director, Department of Employment, Training and Rehabilitation and (DETR), advised that the Administration budget account included 54.5 full-time equivalent (FTE) positions that provided centralized support services, such as the Director's Office, the Human Resources section, the Financial Management section, Operations Management Services, the Public Information section, and one internal auditor position.

Mr. Perea said the Director's Office included six FTE employees and provided leadership and direction in planning, implementing, coordinating, and evaluating the various services and activities of the Department to meet state and federal program goals. There were ten FTE employees in the Human Resources section who provided personnel services including training, recruitment, and the processing of payroll and personnel actions for the Department's 921 FTE employees and approximately 322 intermittent employees.

Mr. Perea indicated that the Financial Management section included 28.5 FTE employees who processed over 200,000 financial transactions annually, performed the required monitoring and supervision to ensure compliance with state and federal fiscal requirements, and provided procurement for the Department's 21 statewide offices. That section was also responsible for developing and submitting the Department's budgets to the Office of the Governor for inclusion in The Executive Budget.

Mr. Perea stated that Operations Management services included eight FTE employees and provided maintenance and administrative support for the Department's 21 statewide offices. Operations Management Services processed all contracts, leases, property, and tort insurance billings and claims for DETR.

According to Mr. Perea, the Public Information section included one FTE employee who interacted with the public and media in promoting the Department's services and activities. The staff of the Director's Office also included one internal auditor who monitored and provided recommendations for corrective action when needed for all state and federal grants and financial agreements and reviewed the Department's internal controls.

Mr. Perea stated that the DETR Administration budget included three performance indicators. The first represented satisfaction from within DETR on how well Administration supported the other divisions within the Department. Mr. Perea noted that the actual percentage for fiscal year (FY) 2010 had fallen short by 3 percent with 90 percent satisfaction. The second performance indicator represented the percentage of businesses satisfied with DETR employment services. That was based on an ongoing survey of Nevada employees who accessed services through the Nevada JobConnect system, including placement of job orders, referrals to those openings, job development, on-the-job training contracts, labor market information, and recruitment assistance. He pointed out that the Director's Office had also fallen short by 3 percent with 93 percent satisfaction for the second performance indicator.

Mr. Perea stated that the third performance indicator reflected the percent of time the four divisions of the Department met or exceeded their performance indicators as reflected in The Executive Budget. He explained that the divisions within DETR had experienced significant challenges in meeting their performance indicators because of the current employment climate; the administrators of the divisions would delineate those challenges in their respective budget presentations today.

Senator Denis referenced the first performance indicator and asked how many employees were included within the actual fiscal year (FY) 2010 percentage of 90 percent satisfied with Department services. Mr. Perea replied that there were approximately 1,200 employees within DETR. Senator Denis asked whether the percentage indicated that 90 percent of those 1,200 employees were satisfied. Mr. Perea said the percentage was based on the number of staff who had sought services from the Director's Office.

Senator Denis noted that 93 percent of businesses were satisfied with DETR services, and he asked how many businesses that represented. Mr. Perea said he would provide the actual number of businesses; the percentage was computed via a survey conducted by DETR.

Senator Denis requested clarification regarding the third performance indicator, and Mr. Perea explained that the third performance indicator was based on services provided by the four divisions within DETR and whether those divisions met their performance indicators. Mr. Perea explained that it was the responsibility of the Director's Office to ensure that its divisions were meeting their performance indicators.

Senator Denis said his point was that it helped legislators to know the actual numbers rather than percentages in each agency's performance indicators. He suggested that DETR take that into consideration when presenting future performance indicators.

Chair Conklin advised that the Subcommittee was specifically interested in the following decision units: Enhancement (E) 325, E326, and E806. He asked Mr. Perea to comment on those decision units.

Mr. Perea stated that decision unit E325 would fund one new personnel technician 2 position. Over the past two years, because of the challenging employment climate, DETR had grown significantly creating the need for additional human resources staff.

Senator Kieckhefer said it appeared that over the past few years DETR had hired 485 new employees, and he asked whether that was accurate. Mr. Perea replied that DETR's workforce had increased from approximately 800 to over 1,200 employees. Senator Kieckhefer asked whether those were full-time equivalent (FTE) classified employees; he noted that DETR's workload fluctuated with the state of the economy, and he wondered whether some positions were filled with intermittent employees.

Mr. Perea explained that a great many of the over 400 positions were intermittent employees who would be eliminated as the economy improved and DETR's workload decreased.

Chair Conklin noted that the personnel technician position would be located in the Human Resources section of the Director's Office, and he asked whether there were overtime concerns within that section. Mr. Perea acknowledged that staff had been working overtime in Human Resources, but the position had been requested primarily to address the increase in workload. Chair Conklin asked about the amount of overtime in the Human Resources section, and Mr. Perea advised that he would provide that information at a later date.

Mr. Perea stated that decision unit Enhancement (E) 326 would create a permanent accountant technician 1 position within the Financial Management section with the primary duty of handling the additional workload and fiscal responsibilities associated with Unemployment Insurance (UI) Trust Fund accounting. Mr. Perea explained that the work was currently being performed by an intermittent employee to give higher level staff the opportunity to deal with the accounting for various workforce development funding systems.

Chair Conklin asked whether unmet fiscal responsibilities would occur if the position was not approved. Electing to respond was Renee Olson, ASO, DETR, who stated that the position would be responsible for assisting the Employment Security Division in maintaining the UI benefits desk, which had to be manned by dependable staff on a daily basis. The UI benefits desk was responsible on a daily basis for ascertaining whether there was funding available in the various accounts for the payment of benefits. Ms. Olson said the new position would also assist the Financial Management section with other general accounting duties.

Ms. Olson stated that the UI benefits desk continued to expand with the addition of five new unemployment benefit programs, and while the state was currently in a borrowing situation, it would eventually enter into a repayment period. Ms. Olson explained that the complexity in the areas of federal reporting and banking for the UI benefits desk had continued to increase to the point that a full-time position had become necessary.

Larry Mosley, Director, DETR, added that the Financial Management section would have the majority of the responsibility of managing the funding for the Silver State Works (SSW) program, which would be supported through a variety of different funding sources.

Continuing his presentation, Dennis Perea, Deputy Director, DETR, said that decision unit Enhancement (E) 805 requested the reclassification of an existing personnel analyst 2 position to a personnel officer 1 position within the

Human Resources section. He explained that over the past few years, the responsibilities of the position had expanded beyond the duties of its current classification of personnel analyst 2.

Mr. Perea stated that decision unit E900 proposed the transfer of two positions from budget account (BA) 4770, Employment Security, to BA 3272, Administration, which would better align the positions within the Department.

Chair Conklin asked Mr. Perea to address decision unit Enhancement (E) 806. Mr. Perea explained that E806 requested reclassification of an existing vacant employment services officer 2 position, pay grade 37, to an unclassified position—assistant to the director—equal to pay grade 41. The new unclassified title was requested because of the managerial, oversight, and leadership role the position would provide within the Director's Office.

Renee Olson, ASO, DETR, clarified that DETR was not adding a grade 41 position, but rather was adding an unclassified position at the pay scale level equivalent to a grade 41, which was the salary selected because of the responsibilities that would be assigned to the position.

Chair Conklin asked why the Department had requested an unclassified position rather than a classified position. Mr. Perea said the position would have multiple responsibilities that would include oversight of the Public Information and the Operations Management sections. The Director's Office would combine a number of additional managerial responsibilities under the proposed critical position, and it was felt that the position should be unclassified.

Chair Conklin asked about the duties of the existing vacant position. Mr. Perea explained that the current grade 37 position oversaw the Operations Management and Public Information sections, and the new unclassified position would also provide oversight and management control of several administrative functions.

Chair Conklin said it appeared that the Director's Office would take a technical position and add some administrative duties. Larry Mosley, Director, DETR, responded that many agencies included an assistant-to-the-director position, and those positions had the responsibility of direct communication with administrators throughout the system. Mr. Mosley said DETR was in the process of reorganizing its Administration by reviewing the duplicative functions, such as combining administrative resources under one umbrella and combining the Public Information section with the public information officer and other DETR communications under the new assistant-to-the-director position. The position would also oversee the youth services offered by DETR throughout the state. Mr. Mosley stated that the requested position upgrade considered not only the direct responsibilities, but also the additional duties that came about from restructuring the Director's Office and Administration. The position would also be responsible for communications and monitoring legislation.

Chair Conklin asked whether the reclassification had already been approved by the Department of Personnel. Dennis Perea, Deputy Director, DETR, replied that the upgrade of the position had been approved.

Rene Olson, ASO, DETR, clarified that the duties of the requested assistant-to-the-director position had been assigned via a temporary upgrade to an existing position within DETR, and the Department of Personnel had approved that temporary upgrade based on the aforementioned duties. If the request to reclassify the existing vacant employment services officer 2 position to an unclassified assistant-to-the-director position was approved, the temporarily upgraded position would revert to its original classification.

Chair Conklin asked for clarification about the existing vacant employment services officer 2 position, and Ms. Olson explained that the existing position would be eliminated and would be reclassified into the assistant-to-the-director position.

Senator Denis asked for clarification of the existing position. Ms. Olson explained that the existing position was a vacant employment services officer 2 position, pay grade 37, within budget account (BA) 3272. She said DETR had temporarily reclassified another existing position within the Employment Security Division to handle the duties of the proposed assistant-to-the-director position. If the request for the new unclassified position was approved, DETR would eliminate the vacant grade 37 position in BA 3272, would reverse the temporary reclassification of the position in BA 4770, and that person would occupy the new unclassified assistant-to-the-director position. Ms. Olson emphasized that DETR was not adding an additional position.

In reply to an inquiry from Senator Denis about the duties of the requested assistant-to-the-director position, Dennis Perea, Assistant Director, DETR, explained that the duties that would be combined under the new position were currently being handled differently within DETR's northern Nevada and southern Nevada offices, and many of the administrative functions would be consolidated under the new position.

Larry Mosley, Director, DETR, explained that one of the overall problems within DETR was the duplication of functions, and the new assistant-to-the-director position would eliminate much of that duplication, as well as providing direct support to the Director's Office. The Operations Management section that handled contracts and facility maintenance was one of the areas of duplicate functions that would be served by the new position, along with the Rehabilitation Division. Mr. Mosley stated that the Department wanted to streamline many of its functions, redefining its overall structure and communications.

Senator Denis asked whether the new position would change the responsibilities of other positions and cause additional positions to be reclassified. Renee Olson, ASO, DETR, clarified that the new assistant-to-the-director position would provide leadership and guidance in the areas that DETR wanted to consolidate that currently did not have proper leadership. Ms. Olson said the new assistant-to-the-director position would not necessarily take over duties of the consolidated positions it would oversee, but rather would provide administrative oversight. The new position would look for opportunities to provide efficiencies and perhaps recognize areas of duplication.

Chair Conklin stated that there appeared to be a draw on the General Fund as a result of cash-flow issues within DETR budget accounts, specifically BA 3269, Disability Adjudication and BA 3273, Research and Analysis, and he asked whether there were plans to reduce, diminish, or eliminate those cash-flow issues.

Renee Olson, ASO, DETR, stated that she had been monitoring the aforementioned budget accounts, and when she realized that the budgets were experiencing negative cash flow, she directed staff to move to weekly draws in an attempt to mitigate the cash-flow issue. Ms. Olson indicated that she would continue to closely monitor those budget accounts to eliminate the negative cash-flow problems. Chair Conklin asked whether the "weekly draws" alluded to by Ms. Olson were draws on federal funding, and Ms. Olson replied that was correct.

Chair Conklin asked whether there were further questions pertaining to budget account (BA) 3272, and there being none, the hearing was closed. The Chairman opened discussion of BA 3274, and indicated that the Subcommittee was specifically interested in decision unit Enhancement (E) 596.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—INFORMATION DEVELOPMENT AND PROCESSING (101-3274)
BUDGET PAGE DETR-9

David Haws, Administrator, Information Development and Processing (IDP) Division, Department of Employment, Training and Rehabilitation (DETR), explained that decision unit Enhancement (E) 596 would provide continued support via Master Services Agreement (MSA) programmers knowledgeable about DETR's 30-year-old legacy system. The legacy application was used to pay all Unemployment Insurance (UI) benefits for the state, which was currently experiencing a 25-year high in benefit payments. Mr. Haws said the IDP Division had been very active in maintaining the legacy application and had added extra "program pipes" or "clean pipes" to the application, which was a COBOL/CICS system running on the state's mainframe.

Mr. Haws further explained that the IDP Division tapped into Master Services Agreement (MSA) resources for programmers knowledgeable about the legacy system to aid the Division in making the necessary federal changes. Decision unit E596 would essentially continue the process until transition to the UI modernization system. Once that transition was complete, said Mr. Haws, the IDP Division would retire and decommission the legacy applications.

Senator Denis asked whether there were any state employees who could program in COBOL. Ms. Haws replied that the IDP Division had three full-time employees who worked on the legacy application along with the MSA programmers. He asked the Subcommittee to keep in mind that the IDP Division was also transitioning to the new UI modernization system and was attempting to train staff on the new technologies involved in that system.

Senator Denis said it appeared that it took more than the three full-time employees to handle the COBOL programming, and Mr. Haws stated that was correct. Senator Denis pointed out that decision unit E596 would fund 3 MSA programmers for 1,500 billable hours to keep the legacy system functioning. Mr. Haws explained that the IDP Division had not anticipated the number of changes to federal UI requirements, but there had been a steady flow of extension of benefits that had been added to the legacy system. The architecture of the legacy system was not conducive to changes, and in fact, if there were further major benefit changes in UI requirements, the IDP Division would be hard-pressed to add those changes to the legacy system.

Senator Denis asked about the time frame for the UI modernization system. Mr. Haws stated that the contract for the UI modernization system extended to June 30, 2014. There would be three major system releases with the first occurring in June 2011, the second in November 2012, and the final release occurring at the end of 2013. Senator Denis asked whether the contract was on schedule, and Mr. Haws replied that it was on schedule and on target, and the IDP Division was very pleased with that project. Through the U.S. Department of Labor, the Division had been able to transfer in an application from a sister agency which would meet 80 percent of DETR's requirements, and the architecture was well-suited for use by DETR.

Senator Denis asked about the possibility of salary savings in the future once the new UI modernization system was up and running. Mr. Haws said that would be difficult to determine at the present time because the start-up for new applications was time-consuming, even after implementation of the application. Mr. Haws further explained that the IDP Division had attempted to maintain a certain level of costs within the MSA, and therefore, had not coded all of the reports, which were very expensive. He pointed out that a backlog of management reports remained to be completed, and there would be other interfaces that would require completion. Mr. Haws could not predict whether the IDP Division could diminish staff, but certainly there would be no salary savings immediately after installation of the UI modernization system.

Senator Denis said it seemed that moving to a newer technology would eventually require less staff because the older systems were more management-intensive. Mr. Haws said the eventual reduction in staff was one of the objectives of the IDP Division.

Assemblyman Aizley asked about the name for the new UI modernization system since COBOL appeared to be antiquated. Mr. Haws explained that the new program language was Java, which was also J2EE architecture. The IDP Division was moving away from the ADABAS (Adaptable DAta BAse System) that it was currently using and moving to the Oracle Database management system.

Senator Kieckhefer asked whether the MSA programmers were former employees of DETR. Mr. Haws replied that the programmers currently helping with DETRs legacy system were not former employees, but were COBOL programmers who had implemented the same legacy application elsewhere. The IDP Division contracted with those programmers to help maintain the current legacy application.

Regarding the new UI modernization system, Mr. Haws explained that the IDP Division typically went through the MSA, which was a competitive bid process supported by both the Purchasing Division and the Department of Information Technology (DoIT), and also through Manpower to address the need for additional services. Mr. Haws believed that one person had worked for DETR as an analyst in the past and was currently providing support on the UI modernization system.

Senator Denis asked about the number of information technology (IT) customers served by the IDP Division. Mr. Haws explained that the IDP Division supported all 1,200 employees within DETR and provided support for the internal infrastructure, including the network.

Senator Denis said he was referring to the first IDP Division performance indicator, "Percent of customers satisfied with DETR IT services." Mr. Haws said the percentage of customer satisfaction was derived from a combination of surveys received from internal help desk tickets, which usually averaged approximately 100 per month. The Division also received from 4,000 to 10,000 surveys via the Internet, and Mr. Haws said those surveys were completed by constituents as they lodged a claim and wanted to respond to DETR about their experience. Because of the high volume of persons using the Internet to access services, the percentage for that performance indicator decreased to 92 percent, but as of February 2011 the percentage of satisfaction was back on target at 93 percent.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3274, and there being none, the hearing was closed. The next budget for Subcommittee consideration was BA 3273.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—RESEARCH AND ANALYSIS (101-3273)
BUDGET PAGE DETR-15

William Anderson, Chief Economist, Research and Analysis Bureau, Department of Employment, Training and Rehabilitation (DETR), said the budget for the Bureau was very straightforward, with no new programmatic areas requested.

Mr. Anderson said decision unit Maintenance (M) 503 requested approximately $358,000 for continued funding for two intermittent positions. Those positions were charged with carrying out mandated customer satisfaction surveys as part of the Workforce Investment Act. The funding for the intermittent positions would be through internal charges for services. Mr. Anderson explained that the Bureau would charge other divisions within DETR for the work it conducted on behalf of those divisions.

Mr. Anderson said decision unit Enhancement (E) 325 requested approximately $30,000 over the biennium for an online subscription to Haver Analytics. The funding for that subscription would again be realized via DETR's intradepartmental cost allocation. Mr. Anderson explained that the subscription provided the Bureau with access to over 200 different economic databases in one stop. The end result would be more efficient delivery of information and would ensure that information in response to requests was being derived from one common data source.

Mr. Anderson said those were the highlights of the Bureau's budget, and he offered to answer questions from the Subcommittee.

Chair Conklin indicated that decision unit M503 requested $176,027 in fiscal year (FY) 2012 and $181,804 in FY 2013 to continue funding for two intermittent positions. Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff had informed the Subcommittee that those costs should be decreased to $94,611 in FY 2012 and $96,487 in FY 2013. He asked Mr. Anderson to provide clarification regarding those costs.

Mr. Anderson advised that there had been internal discussions between the Bureau and DETR's Chief Financial Officer (CFO), and the Bureau was more than willing to work with LCB staff to ensure that the correct numbers were included in The Executive Budget.

Renee Olson, ASO, DETR, explained that she was unable to provide the exact figures today, but the lower figures submitted by Fiscal Analysis Division staff were closer to the correct costs. She advised that she would work with Fiscal Analysis Division staff to make the appropriate adjustments within the Bureau's budget.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3273, and there being none, the hearing was closed. The next budget for consideration was BA 2580.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—EQUAL RIGHTS COMMISSION (101-2580)
BUDGET PAGE DETR-22

Shelley Chinchilla, Administrator, Nevada Equal Rights Commission (NERC), Department of Employment, Training and Rehabilitation (DETR), introduced herself to the Subcommittee and asked about the areas of concern within NERC's budget. Chair Conklin said the Subcommittee was very concerned about the proposed position eliminations in decision units Enhancement (E) 600, E601, and E690. The Subcommittee was also concerned about the Reno office closure recommended in decision unit E690.

Ms. Chinchilla explained that decision unit E600 requested the elimination of the vacant deputy administrator position in the Reno office as part of the 2010 requirement for a 10 percent General Fund budget cut. The elimination of that position would eliminate supervisory authority in the northern part of the state out of the Reno office; however, it would allow NERC to retain more investigator positions to provide direct case work in response to the demands of customers for timely, good quality, and fair investigations. Ms. Chinchilla believed that would better serve NERC's mission to foster the rights of individuals to seek employment, housing, and public accommodations without discrimination.

Decision unit E601, said Ms. Chinchilla, requested the elimination of a vacant compliance investigator 2 position, which was also part of the 2010 requirement for a 10 percent budget reduction. With the loss of each compliance investigator position, NERC lost capacity to resolve cases. Ms. Chinchilla said an average number of investigations would be approximately 120 cases per year per investigator. She pointed out that there was also the potential that NERC would lose the equivalent federal funding for each of those cases that would not be resolved because of the loss of the position.

It was also likely that wait times for services would increase, including completion of the intake process, as well as cases awaiting assignment to investigators. Currently, said Ms. Chinchilla, there was an intake backlog of approximately 85 cases and a backlog of approximately 205 cases awaiting assignment to investigators. She explained that cases currently waited 9 months for assignment to an investigator, and the average case age during fiscal year (FY) 2010-11 was 301 days.

Continuing her presentation, Ms. Chinchilla stated that decision unit Enhancement (E) 690 proposed an additional 14 percent General Fund reduction through the elimination of one filled administrative assistant 3 position and the elimination of two additional vacant compliance investigator 2 positions. The decision unit also recommended closure of NERC's Reno office and the relocation of Reno office staff to the existing Sparks JobConnect office. Ms. Chinchilla explained that there was space available in the JobConnect office, and the move would not require costs associated with building a facility or creating a new office.

Ms. Chinchilla stated that decision unit E710 recommended an appropriation for replacement computer equipment, but as part of the 14 percent budget reduction under decision unit E690, NERC would rescind that request. She explained that no equipment replacement had been budgeted over the 2009-2011 biennium in an effort to maximize savings to the General Fund. Ms. Chinchilla said failure to replace computers put the NERC at risk in providing effective service and also in compatibility with DETR.

According to Ms. Chinchilla, NERC anticipated a Public Employees' Retirement System (PERS) buy-out of approximately $18,000 because of the elimination of the currently-filled administrative assistant 3 position. She reiterated that loss of the two additional investigator positions could potentially further erode NERC's ability to respond in a timely manner to public needs when there were complaints of discrimination. Ms. Chinchilla stated that each compliance investigator position that was lost was equivalent to approximately 120 cases per year, along with the subsequent potential funding from the federal Equal Employment Opportunity Commission (EEOC), which was $550 per case result, up to the contract amount. The current contract with EEOC for fiscal year (FY) 2010 was 686 cases at $550 per case.

Chair Conklin referenced performance indicator number 1, "Percent of discrimination cases formalized for investigative process within 15 working days," and noted that the figure projected for FY 2010 was 82 percent, but the actual figure for FY 2010 was 8 percent, and he asked for an explanation.

Ms. Chinchilla explained that 82 percent had been NERC's goal, but the figure had steadily declined because of the recession and the increased number of cases being received by NERC. She believed that the lower percentage also correlated with NERC's loss of employees; NERC had not met the 82 percent mark in approximately five years.

Ms. Chinchilla explained that an unusual circumstance had occurred in February 2010, at which time it was recommended that NERC be eliminated. Because of that recommendation, two-thirds of NERC's employees sought employment elsewhere within state service. Therefore, said Ms. Chinchilla, when it was decided that NERC would not be eliminated, the Commission had to start over and rehire an administrator, a chief, five compliance investigators, and two administrative assistants. Ms. Chinchilla said it took time to hire and train staff and bring the investigators up to speed to carry caseloads. The five new investigators were still in their probationary periods, but they had reached the level where they were carrying full caseloads and were being held to the standard of ten case closures per month.

Chair Conklin commented that he understood why the employees of the Nevada Equal Rights Commission (NERC) had sought employment within other state agencies because they did not feel valued or secure in their employment.

Assemblyman Kirner asked, if the performance indicator suggested NERC was falling far below the projected percentage, whether it would be advisable to set the performance indicator at a more attainable target.

Renee Olson, Administrative Services Officer (ASO), DETR, commented that DETR had missed the mark in not adjusting the work performance standard to reflect what could be accomplished with NERC's available resources. She agreed that the performance indicator targets should be reevaluated to reflect the available resources.

Chair Conklin asked DETR to provide the Subcommittee with typical historical data encompassing 2007, 2008, and 2009, along with updated performance indicator percentages that represented a viable target for NERC. He also requested that NERC provide the raw data along with the percentages.

Larry Mosley, Director, DETR, indicated that he would instruct staff to provide the requested information as soon as possible.

Chair Conklin asked whether NERC had estimated the amount of federal funding that would be lost because of the proposed 28 percent staffing reduction.

Shelley Chinchilla, Administrator, NERC, said federal revenue loss was a potential amount because EEOC reviewed the number of case closures submitted by NERC within the previous year prior to awarding a new contract. Ms. Chinchilla said federal revenue was estimated at $66,000 per investigator because each investigator had the capacity to close approximately 120 cases per year. Even without a reduction in staff, it would take a year or more to realize the potential amount because of the delayed calculation period for determining the EEOC contract. Ms. Chinchilla said that current staffing levels required some innovative ideas, but she believed that NERC could maintain the current EEOC contract of 686 case closures per year.

Chair Conklin asked whether NERC currently referred cases directly to EEOC. Ms. Chinchilla said that cases were not directly referred to EEOC unless it was part of a work-sharing agreement. She noted that there were very few specific cases that were referred directly to EEOC.

Chair Conklin asked how NERC offloaded cases the Commission felt could not be managed because of staff reductions.

Larry Mosley, Director, DETR, informed the Subcommittee that Mr. Perea would address Chair Conklin's questions because he had been the Administrator of NERC during the 2010 budget cuts. He believed Mr. Perea could provide a better historical analysis of EEOC. Chair Conklin recognized that Ms. Chinchilla was the newly-appointed Administrator of NERC, and said it was not his intention to "put her on the spot," but the questions needed to be answered.

Dennis Perea, Deputy Director, DETR, advised the Subcommittee that there was no mechanism to offload cases and there was no way for NERC to refuse services, so therefore, cases became backlogged.

Chair Conklin said that fact should be reflected in performance indicator number 2, "Percent of cases open 180 calendar days or less," which apparently was no longer a reasonable expectation. Mr. Perea stated that was correct.

Senator Denis referenced the proposal in February 2010 to eliminate NERC and stated it was his understanding that after the office had been eliminated the federal Equal Employment Opportunity Commission (EEOC) would take over Nevada's cases.

Mr. Perea explained that when the elimination was proposed, NERC contacted EEOC for permission to refer cases for a 90-day period. The EEOC realized the precarious situation facing NERC and agreed to a 90-day reprieve. Mr. Perea explained that was the reason the backlog of cases had not swelled further. From time to time, NERC could approach its EEOC partner to ascertain whether that type of assistance would again be available. Mr. Perea pointed out that even with NERC's current situation, the EEOC backlog of cases was larger than that of NERC.

Senator Denis believed the original proposal was that if NERC was eliminated, EEOC would take over Nevada's cases and would process those cases in a shorter time frame. However, it appeared that if the elimination had transpired in 2010 as proposed, Nevada would simply have "dumped" its cases on EEOC, which also had a backlog of cases.

Larry Mosley, Director, DETR, explained that he had traveled to Washington, D.C. in 2010 to garner additional support for NERC. He had spoken with the Nevada congressional delegation, but EEOC had refused to provide the needed level of funding. At that time, said Mr. Mosley, there appeared to be no way NERC could manage its caseloads with a 10 percent budget reduction, and it appeared relatively certain that the NERC office would be eliminated. However, the determination was made that NERC would not be eliminated, but the 10 percent budget reduction would remain in effect. Mr. Mosley explained that had NERC been eliminated, EEOC would have been required to accept Nevada's cases, but the backlog of EEOC cases was worse that than of NERC, and the delivery-of-service time would have been greatly extended.

Assemblyman Aizley asked whether NERC anticipated an increase in cases because of the final regulations revising the U.S. Department of Justice's (DOJ's) Americans with Disabilities Act (ADA) regulations that amended DOJ's Title II and Title III regulations effective March 15, 2011.

Dennis Perea, Deputy Director, DETR, explained that the ADA Amendments Act of 2008 had expanded the number of people who qualified for protection under the law, but NERC did not anticipate a significant increase in cases because of adoption of the final regulations by DOJ that became effective on March 15, 2010.

Assemblyman Aizley asked whether there was past evidence that the amendment had affected NERC's caseload. Mr. Perea said that as the economy worsened, NERC had seen more cases involving disabled employees.

Shelley Chinchilla, Administrator, NERC, added that the ADA Amendments Act of 2008 had been in effect for over two years and NERC had not seen a dramatic increase in cases. In 2007 the total number of charges involving a disability as the basis was 15 percent of NERC's caseload, in 2008 those cases represented 16.7 percent, in 2009 the percentage dropped to 14.4 percent, and in 2010 the percentage rose to 16.5 percent. In general, said Ms. Chinchilla, the number of charges that involved a disability as the basis of the charge had remained fairly constant. If there was a change, it was that NERC found probable cause in more of those cases, but there had not been an influx of new cases.

Chair Conklin referenced decision unit Enhancement (E) 690, and said it appeared that DETR wanted to consolidate space by relocating NERC's Reno office to the Reno JobConnect office. He wondered whether the NERC compliance investigator and administrative assistant positions would have access to adequate office space in which to conduct investigations and interviews in private at the JobConnect location.

Ms. Chinchilla said that she was scheduled to tour that office today and speak with the manager. She indicated that Dennis Perea, Deputy Administrator, DETR, had already surveyed the site and had discussed the needs regarding space with the administrator of the Employment Security Division. There were a number of conference rooms available to NERC within the JobConnect office that could be used to privately interview complainants or hold in-person mediation. Ms. Chinchilla indicated that the JobConnect office was underused and it would be beneficial to DETR, the public, and the facility for NERC to relocate to that office.

Senator Denis asked what would be considered a "typical" case by NERC. Ms. Chinchilla explained that 96 percent of NERC's caseload consisted of employment cases as opposed to housing or public accommodation cases. Currently, the most common basis for an employment discrimination claim was sexual harassment and the second most common basis was race.

Senator Denis noted that most discrimination cases were within the area of employment. He opined that a significant backlog in such cases would be problematic and persons needed resolution of those cases. He believed that persons would be disadvantaged because they were not afforded the opportunity to have their cases resolved in a timely manner. Senator Denis stated that perhaps the Legislature should not be looking at budget cuts for NERC because those were important issues, and the state should value those persons who were being discriminated against.

Chair Conklin concurred with Senator Denis' comments. He asked whether there were further questions regarding budget account (BA) 2580, and there being none, the hearing was closed.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—REHABILITATION ADMINISTRATION (101-3268)
BUDGET PAGE DETR-29

Chair Conklin explained that the Subcommittee had no concerns with budget account (BA) 3268, and therefore, the next budget for Subcommittee consideration would be BA 3269.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—DISABILITY ADJUDICATION (101-3269)
BUDGET PAGE DETR-35

Chair Conklin advised that the Subcommittee's concerns revolved around the Division's performance indicators and processing times.

Maureen Cole, Administrator, Rehabilitation Division, Department of Employment, Training and Rehabilitation (DETR), stated that the Bureau of Disability Adjudication had not met the mark in fiscal year (FY) 2010 for performance indicator number 1, "Mean processing time – SSDI, in days," and number 2, "Mean processing time – SSI, in days," which were both targeted at 89 days processing time. Ms. Cole said there were two factors that she believed were responsible for that failure. First, the Bureau's Carson City and Las Vegas offices had been relocated, which caused a certain amount of work disruption. Secondly, in September 2010, the Bureau was allowed to fill 23 new adjudicator positions, which had been approved by the Interim Finance Committee (IFC) in June 2010. Ms. Cole explained that it took approximately two years for a new adjudicator to become fully conversant with the processing, the criteria, and the standards that were applied to claims. Therefore, the 23 new adjudicators were not as yet up-to-speed regarding the process. The Bureau was definitely keeping track of the processing times and would attempt to process claims in a more reasonable time frame.

Senator Denis voiced appreciation for the Bureau's performance indicators that were measured in days rather than percentages. The question was whether the mean processing time performance indicators for the upcoming biennium reflected the effect of the 23 new permanent positions. Ms. Cole replied that the performance indicators did reflect those positions. She reiterated that it would take awhile for those adjudicators to become proficient in the adjudication process.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3269, and there being none, the hearing was closed. The next budget for review was BA 3265, and the Subcommittee's concerns were with decision units Enhancement (E) 326, E327, E660, and E690.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—VOCATIONAL REHABILITATION (101-3265)
BUDGET PAGE DETR-42

Maureen Cole, Administrator, Rehabilitation Division, Department of Employment, Training and Rehabilitation (DETR), stated that decision unit Enhancement (E) 326 reflected the Bureau of Vocational Rehabilitation's (BVR's) share of the moving and equipment costs to relocate the Henderson JobConnect office, which would occur in fiscal year (FY) 2012.

Chair Conklin asked whether the costs for that move would affect multiple DETR budget accounts. Larry Mosley, Director, DETR, replied that was correct. Chair Conklin asked whether DETR had accounted for the costs associated with the move within individual budget accounts and whether the cost would be shared across several budget accounts.

Renee Olson, Administrative Services Officer (ASO), DETR, explained that the costs were accounted for within individual budget accounts. Decision unit Enhancement (E) 326 merely reflected BVR's share of the costs to relocate the Henderson JobConnect office.

Chair Conklin asked whether DETR anticipated changes in rent costs because of the proposed move. Ms. Olson said she did anticipate a change in rent costs. The moving costs were currently budgeted at the base cost per square foot, and once an office location had been selected and the rent costs became known, the Department would submit a work program to request the authority to make adjustments for the difference in rent costs. Ms. Olson reiterated that DETR had not yet identified a new location for the Henderson JobConnect office. She noted that average rent costs in Clark County had been reviewed approximately one year ago, but economic conditions had changed since that review. Ms. Olson stated that she could not provide information regarding current office space rent costs in Clark County.

Chair Conklin asked about the age of the current lease agreement, whether it had been negotiated at the peak of the market, and whether the Henderson JobConnect office had been at that location for quite awhile. He wondered whether DETR anticipated a lower rent cost with relocation of the office.

Ms. Olson said the Henderson JobConnect office had been in the same location for quite awhile, and the lease had been renegotiated approximately every three years with costs continuing to increase. She was unaware of current rent costs for the office, and the rent costs for the new location would be addressed via a work program once a site had been identified.

Continuing her presentation, Maureen Cole, Administrator, Rehabilitation Division, DETR, stated that decision unit Enhancement (E) 327 addressed the same issues as those in decision unit E326 for relocation of the current Las Vegas JobConnect office.

Ms. Cole stated that decision units E660 and E690 would reduce DETR's General Fund to meet the 10 percent budget reduction over the biennium as recommended in The Executive Budget.

Chair Conklin asked about the General Fund support that assisted in providing the match required to receive Section 110 grant funds. It appeared that DETR provided approximately $1.4 million from the General Fund to match grant funding of approximately $5 million.

Ms. Cole stated that the amount was calculated on a 1:4 ratio match—$1 of state funds brought in $4 of federal funds. Chair Conklin said the net loss in terms of deliverables to constituents within BVR would amount to approximately 400 percent of the 10 percent budget cut. Ms. Cole agreed, and stated that the net loss over the biennium was calculated at $6,429,735. Chair Conklin asked whether anyone had questioned the wisdom of returning over $3 million of federal money for BVR each year that could be used to help individuals gain skills and find employment.

Larry Mosley, Director, DETR, stated that the Department had wrestled with the question of state matching funds in every budget cycle since he had become the Director. Obviously, persons in the rehabilitation community and authorities in Washington, D.C., also questioned the wisdom of returning federal funds. The bottom line, said Mr. Mosley, was that there were only two divisions within DETR that received General Fund revenue, and when DETR was mandated to cut its General Fund by 10 percent, very few options were available to the Department.

Chair Conklin wondered what the Rehabilitation Services Administration thought when Nevada failed to provide the necessary matching state funds to access federal grant funding and whether that failure would make it more difficult for Nevada to receive future grant funding.

Maureen Cole, Administrator, Rehabilitation Division, DETR, explained that the Rehabilitation Act of 1973, as amended, provided for formula grants for the states, and those yearly grants were based on population rather than usage and not on failure to provide state matching funds or any other factors. The funds were received by Nevada every year, but the state's ability to draw down the maximum amount of approximately $19 million was constrained by the availability of either state or private matching funds. Ms. Cole informed the Subcommittee that BVR continued to aggressively search for private matching funds. However, there were federal constraints and regulations that controlled the use of nonstate matching funds to draw down federal dollars for use by BVR in its programs.

Chair Conklin asked how many individuals would go unserved as a result of giving up over $6 million in federal funding over the biennium. Ms. Cole believed it would be a significant number, but it was a difficult number to quantify because the cost of rehabilitation services varied greatly among clients. The average rehabilitation cost per client was $3,000 to $4,000, but that amount did not include administrative costs. Ms. Cole offered to provide the approximate number of clients that would go unserved because of the loss of federal funding.

Chair Conklin asked that Ms. Cole provide that information to the Subcommittee. The failure to provide the state match necessary to receive federal funds was not the only issue that concerned him within BA 3265. Chair Conklin likened the loss of federal funding to offering rehabilitation services to clients at 20 percent of the cost while giving back 80 percent to the federal government. He opined that legislators and agency administrators understood that difficult budget decisions had to be made, but it was difficult for persons who needed the services of BVR to understand why the state failed to access available federal funding.

Senator Kieckhefer stated that within the Department of Health and Human Services, the waiver programs were funded based on the number of slots or the number of persons that could be served, and he asked why BVR programs were discussed only in dollar amounts rather than the number of clients that could be served.

Ms. Cole replied that 3,745 clients had been deemed eligible for services offered by BVR in 2010, and including the carry-over clients from previous years, a total of 7,715 clients had been served in 2010. The projection of clients deemed eligible for services in 2011 was 3,846, which would bring the total number of clients being served to 7,923.

Senator Denis said he had similar concerns about the number of clients served. He noted that the first performance indicator for BVR referred to the percent of clients with a competitive employment outcome, and it was difficult to identify that percentage with the number of people it represented. He also wanted to know the number of clients who would be affected by the loss of federal funds and what specific services would be reduced.

Ms. Cole stated that the number of clients with a competitive employment outcome in 2010 was 944. That represented the actual number of individuals who completed rehabilitation and found employment that lasted for a minimum of 90 days.

Senator Denis said he was interested in the number of persons who would not be served because of the loss of federal funding. Ms. Cole explained that BVR would not deny services to anyone, but the reduction in funding would mean that it would take longer for those services to be provided.

Chair Conklin asked whether BVR anticipated beginning an Order of Selection process to prioritize services to clients because of its declining assets. Ms. Cole explained that BVR did not anticipate using an Order of Selection process for clients. That process would create a very detrimental situation that would cause excessive client waitlists. The BVR currently had client waitlists, but the wait time was not excessive and the Bureau hoped to maintain that status. Ms. Cole noted that bringing people into the system and serving them at a slower place was also problematic because quite often people became discouraged and dropped out of the rehabilitation programs.

Senator Denis asked about the number of clients who became discouraged and dropped out of the programs. Ms. Cole said she would provide that information at a later date. Senator Denis believed that information would be important. He also wondered how long a client would have to remain on the waitlist because of the slower pace in providing services. Ms. Cole replied that the wait time would depend on the services deemed appropriate for each client. Some individuals went through a lengthy rehabilitation process that lasted as long as five years while others needed fewer or more easily accessible services that required less time. Ms. Cole stated that services also depended on the client's career choice. She pointed out that jobs were scarce at the current time, but some were scarcer than others.

Senator Denis said his question was how long a client would have to wait before entering the rehabilitation process. Ms. Cole stated she would provide that information.

Chair Conklin said he was also concerned about the Bureau's ability to meet the maintenance of effort (MOE) requirements for federal Section 110 grant funds.

Renee Olson, ASO, DETR, said that matching funds and MOE requirements interacted with each other. When there was a shortfall in the amount of state matching grant funds each year, BVR went through the process of relinquishment. Based on the amount of matching funds available, the Bureau calculated the maximum grant it could support, and the remaining federal funding was relinquished for allotment to other states.

Ms. Olson stated she had been working with staff to analyze the MOE situation within BVR's budget account, and staff concluded that there would be an MOE effect in fiscal year (FY) 2013, estimated at approximately $428,000. Ms. Olson indicated that the federal government viewed the failure by the state to maintain a certain level of fiscal effort, or MOE, as the state failing to contribute its share of support to the program. The MOE for each year was based on the state support over the two previous fiscal years, and Ms. Olson explained that depending upon the level of the state match for the current fiscal year, the Bureau would either meet or fail to meet its MOE in FY 2013.

Continuing, Ms. Olson explained that if the deficit in match funding was large enough, the Bureau would relinquish more grant funding through the relinquishment process than it would through penalties for failing to meet the MOE for Section 110 grant funding.

Chair Conklin asked whether the Bureau would relinquish the grant funds because of insufficient matching funds or whether it would be penalized for failing to meet the MOE, or both.

Ms. Olson explained that BVR would give up its matching state funding and when it relinquished the amount of federal grant funds that could not be matched, that would also cover the MOE penalty assessed to the Section 110 grant.

Chair Conklin wanted to know whether The Executive Budget would be affected by the failure to meet the MOE requirements, and whether there would be a further reduction of federal funds.

Ms. Olson said there would not be a further reduction of federal funds. In addition to the amount of the grant match shortfall, the relinquishment of federal funds would be significant enough to cover the MOE penalty. She stated that a budget account adjustment would not be necessary for The Executive Budget.

Maureen Cole, Administrator, Rehabilitation Division, DETR, explained that the amount of the state match and the amount of federal funds that could be drawn down by that match was one issue, and the MOE requirement was a different issue. The Rehabilitation Services Administration (RSA) reviewed the amount that the state had allocated in matching funds in each of the two previous years to establish the MOE for the current year, and if the state allocation for the current year was less than that amount, it would result in an MOE violation. Ms. Cole said RSA would then reduce the amount of the state's allocation by that deficit.

Chair Conklin said it was his understanding that RSA would reduce the maximum allocation. However, the state would not draw down the maximum amount, and if the money the state was unwilling to invest as matching funds was subtracted, the grant fund level would be below the MOE requirement.

Ms. Olson stated that was correct. She further explained that the Bureau of Vocational Rehabilitation (BVR) had already determined that it would relinquish $3.1 million in federal grant funds. The federal government would reduce the grant funds to BVR by $428,000 as the penalty for failing to meet the MOE requirement, which meant BVR would be required to relinquish an additional $2.7 million to reach the level of state matching funds.

Ms. Cole added that since 2005, BVR had relinquished just over $15 million in federal grant funding.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3265, and there being none, the hearing was closed. The next budget for Subcommittee review was BA 3254, and the Subcommittee was concerned with decision units Enhancement (E) 660 and E690.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—SERVICES TO THE BLIND AND VISUALLY IMPAIRED (101-3254)
BUDGET PAGE DETR-52

Maureen Cole, Administrator, Rehabilitation Division, Department of Employment, Training and Rehabilitation (DETR), indicated that decision unit Enhancement (E) 660 addressed the 10 percent budget reduction to client services. She explained that the Bureau of Services to the Blind and Visually Impaired (BSBVI) provided a range of services to the blind or visually impaired that worked hand-in-hand with the programs offered by the Bureau of Vocational Rehabilitation (BVR). The reduction of services in budget account (BA) 3254 would have the same effect on clients as the reductions in BA 3265. Ms. Cole offered to provide the number of clients served and the number that would go unserved because of budget reductions.

Senator Denis stated that the Subcommittee would like to have that information. He asked about the services that would be reduced as well as the number of individuals.

Ms. Cole said dealing with blind and visually impaired individuals often included very high medical costs because many of the conditions that caused visual impairments could be medically treated. For example, BSBVI funded cataract surgery and other types of implant surgeries, which were quite expensive. Ms. Cole opined that because of budget reductions BSBVI might be required to restrict those types of expenditures. Also, assisted technology costs were quite high, and even though the technology was quite advanced and produced wonderful results, it was also quite expensive.

Senator Denis asked about the performance indicators and whether BSBVI had adjusted the percentages to reflect the reduction in positions. Ms. Cole replied that the performance indicators had not been adjusted.

Senator Denis asked Ms. Cole to work with Legislative Counsel Bureau (LCB), Fiscal Analysis Division staff to address the discrepancies in the fund mapping and the budget reduction matching calculations. Ms. Cole replied that she would work with LCB staff.

Ms. Cole stated that decision unit Enhancement (E) 690 eliminated the funding for the Life Skills Program in the amount of $420,886 for the biennium. That had been a difficult choice, but because the program did not serve as state match for federal funds, BSBVI would not lose the 1:4 ratio state match to federal funding.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3254, and there being none, the hearing was closed. The next budget for Subcommittee review was BA 3253.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—BLIND BUSINESS ENTERPRISE PROGRAM (101-3253)
BUDGET PAGE DETR-62

Maureen Cole, Administrator, Rehabilitation Division, Department of Employment, Training and Rehabilitation (DETR), indicated that the Blind Business Enterprise of Nevada (BEN) program provided vending and snack bar services in public buildings.

Chair Conklin asked Ms. Cole to discuss decision unit Enhancement (E) 325.

Ms. Cole stated that decision unit E325 requested authority for opening three major sites—one vending site in fiscal year (FY) 2012 and two major snack bar sites in FY 2013. A number of possible sites had been identified, but it would depend on the economy and the ability of the public entities to support the snack bars as to whether the sites would be opened. Ms. Cole explained that BEN made many plans and then waited to see which ones would actually reach fruition.

Senator Denis asked Ms. Cole to comment on the likelihood of the plans for the three new sites moving forward. Ms. Cole offered the following:

- DETR was certain that the site at the Veteran's Administration Center in Las Vegas would move forward.
- The site at the City of North Las Vegas' new civic center should also move forward.

- The site at the City of Las Vegas' new crime museum might move forward.
- The expansion of the restaurant at the Shooting Park Visitor's Center would depend on Clark County's ability to expand that facility.
- The anticipated build-out of the snack bar at the equestrian center north of the Shooting Park was in the planning stages.
- The BEN was negotiating with the City of Las Vegas to place six vending machines on each of the 13 floors of the new police center, and that should move forward.

Senator Denis asked who provided oversight to the sites once they began providing services to ensure that the services being provided were adequate. Ms. Cole explained that oversight of the sites was a joint responsibility, with the main responsibility assigned to the administrator of the Bureau of Services to the Blind and Visually Impaired, BA 3254. The administrator remained in close contact with the host agencies and the employees in buildings where sites had been installed to ensure that the services provided by the vendor met their standards and needs and were provided on a consistent basis.

Senator Denis asked whether there were current sites that were not providing satisfactory service. Ms. Cole said there was always a period of adjustment at new sites. She pointed out that some blind vendors contracted with other persons to provide the services at the sites, and at times there had been difficulties at the sites. Ms. Cole indicated that the Bureau attempted to address and resolve those problems as quickly as possible.

Senator Denis asked how new sites were selected. Ms. Cole replied that the snack bars were located in buildings at the invitation of the host agency. The agency usually wanted to provide snack bar services to its employees and the public. Ms. Cole said the Bureau's administrator would conduct a survey of the proposed site to determine the type of traffic that came through the facility, the number of employees, and a count of the public who visited the facility. The administrator would then develop a business assessment to ascertain whether it was a viable site for vendor services.

Senator Denis asked whether the state was required to contract with blind vendors to operate the sites. Ms. Cole replied that state law provided that blind vendors be given priority for the sites; therefore, blind vendors had the first right of refusal. If a blind vendor opted not to manage a site, the host agency could then look elsewhere for a vendor.

Ms. Cole added that federal sites were mandated by the provisions of the Randolph-Sheppard Act. Senator Denis asked whether those provisions would apply to facilities that housed federally funded agencies or whether it pertained only to federally owned buildings. Ms. Cole stated that the provisions of the Act pertained only to sites within federally owned buildings.

Senator Kieckhefer asked whether there were any exemptions to state law or whether it applied to all public entities. Ms. Cole replied that there were a number of statutory exemptions, such as prisons, state parks, and the Legislature.

Senator Kieckhefer referenced the fiscal year (FY) 2012 proposed vendor sites and asked whether there would be six vending machines on all 13 floors of the new police center. Ms. Cole stated that was correct. She noted that the placement of vending machines was also subject to a business assessment.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3253, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 3258.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—CLIENT ASSISTANCE PROGRAM (101-3258)
BUDGET PAGE DETR-69

Maureen Cole, Administrator, Rehabilitation Division, Department of Employment, Training and Rehabilitation (DETR), stated that the Client Assistance Program (CAP) provided an informal forum for the Bureau of Vocational Rehabilitation (BVR) clients and the Independent Living (IL) clients to resolve complaints, concerns, and questions.

Ms. Cole stated that BA 3258 did not contain any decision units other than Enhancement (E) 710, Replacement Equipment.

Chair Conklin stated that the Subcommittee was interested in the projected service decrease depicted in performance indicator number 1, "Number of individuals with disabilities receiving information and referrals through training and community outreach." Chair Conklin said it appeared that the agency anticipated the number of individuals receiving information and referrals would decrease 76 percent, from 1,462 individuals in fiscal year (FY) 2010 to 350 individuals in each year of the 2011-2013 biennium.

Ms. Cole said she was not sure why the number of individuals being served was projected at only 350 individuals over the upcoming biennium, and perhaps that performance indicator should be reviewed. She explained that part of the CAP program was the outreach and education efforts that were made available to communities, and DETR did not want to curtail that effort in any way.

Chair Conklin agreed that the performance indicators for the CAP program needed some adjustment. When the Subcommittee looked at the actual number of 1,462 individuals who had received CAP program services in FY 2010, the target of 350 individuals over the biennium appeared to be a significant reduction in services. He asked Ms. Cole to provide updated information regarding performance indicator number 1. Ms. Cole stated that she would provide that information.

Ms. Cole noted that performance indicator number 2, "Number of individuals using Client Assistance Program for alternative dispute resolution," might also need to be reviewed because the goal of the CAP program was to help prevent the filing of complaints. The goal was to assist persons with answers to their questions and resolutions to their problems so that complaints were not filed.

Chair Conklin asked that Ms. Cole provide the updated information regarding the performance indicators to the Subcommittee as soon as possible, and Ms. Cole stated she would do so.

Chair Conklin asked whether there were further questions regarding budget account (BA) 3258, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 4770.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—EMPLOYMENT SECURITY (205-4770)
BUDGET PAGE DETR-74

Cynthia Jones, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation (DETR), indicated that ESD continued to handle an expanded workload as a result of the great recession that had gripped the country and Nevada for the past few years. While Nevada's unemployment rate dropped in January 2011 to 14.2 percent, the Silver State still had the highest unemployment rate in the nation, with California trailing behind at 12.4 percent and Florida at 11.9 percent.

In addition to regular Unemployment Insurance (UI) benefits, said Ms. Jones, ESD continued to administer five extended-benefit programs that provided an additional 73 weeks of benefits to those who had exhausted their first 26 weeks of regular state benefits. Ms. Jones informed the Subcommittee that over the past fiscal year ESD had received 1.4 million phone calls, processed 440,000 new claims, and paid out $890 million in regular state benefits and $1.2 billion in federally funded benefits.

Ms. Jones stated that over the past week ESD had paid out benefits to approximately 110,000 workers, and compared to the same week in 2010 when the Division paid out benefits to 140,000 workers, that indicated there had been some softening in the claims rate.

Through staff expansions and technology improvements, said Ms. Jones, the wait times to speak to an agent in the Division's call centers had improved dramatically. Ms. Jones indicated that a comparison of wait times over the last three years depicted an improvement from 46 minutes in 2009 to 26 minutes in 2010 and to a current average of less than 10 minutes.

Ms. Jones indicated that technology enhancements had been made in ESD that included implementation of both the virtual hold and virtual call systems, which helped ESD become more effective in claim administration functions provided through the call centers. Ms. Jones said she was most excited about the virtual hold system. She explained that a person who called in and did not want to wait could allow the virtual hold system to hold their place in line and call them back when it was their turn to speak to an agent. Ms. Jones stated that 74 percent of callers were currently taking advantage of that option, and all calls were being returned within the same day.

Ms. Jones informed the Subcommittee that through the JobConnect system, ESD had made 80,000 job referrals over the past year, and 8,000 workers had been enrolled in training sponsored by the Career Enhancement Program (CEP).

Chair Conklin said the Subcommittee would like to discuss the unemployment rates and borrowing from the federal government to pay UI benefits, recognizing that the State Unemployment Insurance (SUTA) tax rate had increased from 1.33 percent to 2 percent as of December 16, 2010. Chair Conklin asked about the Federal Unemployment Tax Act (FUTA) tax rate that was 6.2 percent of wages up to $7,000. He noted that Nevada had benefitted from a 5.4 percent offset for participating in a qualified SUTA program that netted to an 0.8 percent rate, or $56 per employee per year.

Chair Conklin said as the state approached the point where it had to begin making interest payments, the federal government would begin reducing the FUTA offset credit to assist in paying the loan balance. He asked Ms. Jones to provide information on borrowing for UI costs, and the effect DETR anticipated of the President's 2012 budget proposal that sought to delay FUTA tax increases until 2014.

Ms. Jones reported that as of March 16, 2011, Nevada had borrowed just over $711 million to ensure the continued payment of Unemployment Insurance (UI) benefits. That borrowing only funded regular UI benefits, or the first 26 weeks, and did not fund any federal extensions or the state extended-benefit program. Ms. Jones said projections indicated that ESD would borrow approximately $890 million by the end of the year, but because claims had softened, the Division hoped to reduce that amount.

Ms. Jones said The Executive Budget included a General Fund allocation of $66.4 million to pay the interest costs over the 2011-2013 biennium. In addition, if the state had an outstanding loan balance on January 1 of two consecutive years, the federal UI tax would increase by 0.3 percent, and the FUTA offset credit would be reduced to assist in paying the loan balance. The effect, said Ms. Jones, would be an increase of $21 per employee per year. Because of Nevada's outstanding loan balance on January 1 of two consecutive years, Nevada employers, through their federal returns, would be expected to pay that additional $21 per employee for the current year. Ms. Jones reported that if Nevada continued to have an outstanding loan balance as of January 1, 2012, the amount of $21 would be doubled. She explained that the amount per employee would be increased by 0.3 percent each year that Nevada had an outstanding loan balance on January 1.

Chair Conklin asked whether the additional amount per employee per year would actually be used to pay down the loan, or would it be used to fund future benefits. Ms. Jones explained that the additional $21 per employee that would be collected by the federal government over and above the current $56 collected per employee would be dedicated 100 percent to the state's outstanding loan balance. That was one way the federal government used to force loan repayment. Ms. Jones explained that the additional $21 per employee could not be used to pay the interest on loans.

According to Ms. Jones, through the American Recovery and Reinvestement Act of 2009 (ARRA), interest was deemed paid for the 35 states that had borrowed for calendar year 2010. Ms. Jones stated that the President's budget proposal was to waive interest for two additional calendar years, 2011 and 2012. It remained uncertain whether that proposal would be approved, but Ms. Jones said the Division remained hopeful. Legislation had also been introduced in the U.S. Senate that requested the same waiver of interest.

In addition, said Ms. Jones, the President proposed to push back the increases of the Federal Unemployment Tax Act (FUTA) tax rate for two years. If the President's proposal was successful, Nevada employers would not be assessed the interest costs over the next two years and would not be subject to the federal tax increase. Once again, said Ms. Jones, it remained to be seen how quickly the President's proposal would be approved; she noted that it was difficult for ESD to plan for those changes.

Chair Conklin opined that the President's proposal amounted to a forgiveness of interest, and Ms. Jones stated that was correct. The proposal was for a forgiveness of interest rather than a deferral of interest.

Chair Conklin pointed out that the Subcommittee had to deal with the facts that were currently available to it, and it had to deal with a recommendation in The Executive Budget for a General Fund allocation of $66.4 million in interest payments over the biennium. Chair Conklin said it was his understanding that the dollar amount had been configured based on a 4 percent interest rate for monies borrowed from the federal government, and it appeared that the actual interest rate on UI Trust Fund loans was 4.0869 percent. He asked what effect that percentage increase would have on the amount requested in The Executive Budget. He noted that the state would suffer consequences if it failed to make interest payments. Chair Conklin asked whether a budget adjustment would be needed to plan accordingly and make the necessary payment.

Ms. Jones reported that ESD was continually updating projections to reflect the correct amount of the interest payment, and when the Subcommittee reached the point of budget closures, ESD would work closely with Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff to ensure that the appropriate estimate was included in ESD's budget account. Ms. Jones said ESD was hopeful that the decrease in UI benefit claims would offset the increase that was expected as a result of the posted federal interest rate being higher than the rate for which ESD had budgeted. She further explained that even though the interest rate was posted at 4.0869 percent, ESD hoped that interest costs would actually decrease because the state's rate of borrowing had slightly decreased. Ms. Jones reiterated that ESD would present updated projections to LCB staff as soon as possible.

Chair Conklin asked Mr. Anderson whether the Research and Analysis Bureau anticipated an increase, a decrease, or a leveling off of the unemployment rate.

William Anderson, Chief Economist, Research and Analysis Bureau, DETR, said what had been observed over the past several months of calendar year 2010 was an unemployment rate that was essentially holding steady. At the beginning of calendar year 2011, the unemployment rate dropped from 14.9 percent to 14.2 percent. Mr. Anderson believed that the unemployment rate would continue to fall slightly or would level off. He opined that there would not be another pronounced increase in the rate.

Mr. Anderson said it was important to note that the decline in the unemployment rate in January 2011 was not based on such things as positive job growth, but rather the Bureau had noted a leveling off or decline in the state's labor force—the number of persons who were actively searching for work. Mr. Anderson stated the decline suggested that persons were either leaving the state or were becoming discouraged and giving up their search for work. Therefore, even though those persons did not have a job, the Bureau would not count them in its estimate of unemployment.

Chair Conklin asked whether persons who moved to another state in search of employment could still claim unemployment benefits from Nevada.

Cynthia Jones, Administrator, Employment Security Division (ESD), DETR, explained that UI benefit claims were filed in the state where the person had earned the wages. Therefore, persons who had exhausted their UI benefits in Nevada and moved to another state would be ineligible for additional benefits unless they had worked in that state.

Chair Conklin said it appeared that for those persons who were still eligible for benefits in Nevada, the mere fact that they had moved did not mean they could no longer receive benefits. Ms. Jones stated that was correct.

Chair Conklin asked where the state's unemployment rate would have to be to eliminate the need to borrow funding from the federal government and to actually begin replenishing Nevada's UI Trust Fund.

Ms. Jones said ESD had calculated those numbers, but she did not have those details with her today. She indicated that she would provide that information to LCB staff. Ms. Jones said those numbers also made assumptions about the tax rate; she commented that those calculations contained "a lot of moving parts." Should the tax rate remain steady, the state would start to break even and not be required to borrow federal monies by approximately 2014, and the loans would be repaid by 2018.

Senator Kieckhefer referred to the increase in the average State Unemployment Insurance (SUTA) tax rate from 1.33 percent to 2 percent, and he asked what rate would be needed to fully fund the UI Trust Fund. Ms. Jones replied that ESD could not raise the SUTA rate high enough to fully fund the Trust Fund because the maximum for that tax rate was 5.4 percent. The current rate increase, which became effective on January 1, 2011, would generate $132 million to $136 million a year, which would enable ESD to "dig the hole a little slower," but would not enable it to "fill the hole."

Chair Conklin said that UI loan repayment financing alternatives had been discussed at the February 3, 2011, meeting of the Legislative Commission's Budget Subcommittee. One of the suggested financing alternatives was issuing bonds in an effort to secure a lower interest rate, and he asked Ms. Jones to elaborate on that issue.

Ms. Jones said that DETR had discussed alternative financing with the Department of Administration and the Office of the State Treasurer, but once again such a proposal would have "several moving parts." There were costs and risks associated with bonding, and there had to be a separate dedicated revenue stream to repay the federal debt. Also, said Ms. Jones, because it would be a revenue bond, statutory changes would be required to provide a separate assessment process. In addition, if the President's budget proposal was approved, there would be no need to consider bonding the debt over the next two years. The DETR continued to investigate alternative financing, but Ms. Jones said ESD was hoping for approval of the President's proposal to defer interest, which would be the most cost-effective method of financing at 0 percent interest.

Chair Conklin asked Ms. Jones to keep the Subcommittee advised about the status of the President's budget proposal. Ms. Jones said that she was in constant contact with persons at the federal level and she would inform the Subcommittee as soon as changes took place.

Chair Conklin also advised representatives in the audience from the Department of Administration to keep the Subcommittee apprised about its stand regarding the issuance of bonds rather than using a one-shot General Fund appropriation to make interest payments, and its stand about creating a separate assessment process.

Ms. Jones said she had an answer to an earlier inquiry from the Subcommittee about the age of the JobConnect office locations in Clark County. She stated that the Maryland Parkway JobConnect office in Las Vegas was established in 1998, and the Henderson JobConnect office was established in the early 1970s.

Chair Conklin thanked Ms. Jones for that information. The Chair said the Subcommittee was interested in discussing the Silver State Works (SSW) initiative. Larry Mosley, Director, DETR, indicated that he would be happy to answer questions from the Subcommittee about the SSW program.

Senator Denis asked about the $200 biweekly training allowance. Mr. Mosley said that allowance was one of the components of the SSW program. He explained that the Silver State Works initiative was an umbrella approach to training that was benchmarked on several other similar programs, as outlined in his earlier testimony today. Mr. Mosley explained that the $200 biweekly training allowance had been a component of the Georgia Work$ program. That program provided a $200 incentive to recipients of UI benefits to assist with child care, transportation, or other needs.

Mr. Mosley said the second component of the SSW program was providing incentives to business entities, which would eliminate the risk to employers for the first four to five months a business employed a program participant. The third component was on-the-job training (OJT), which included many Workforce Investment Act federal requirements.

According to Mr. Mosley, there were several different components within the SSW umbrella, and candidates would be assessed at three levels or tiers. The first tier would aid persons with multiple or complex work barriers who did not have the needed skills to enter into the labor market; the second tier would be for persons with minor work barriers; and the third tier would be for work-ready, self-sufficient persons who were ready to enter the labor market. Mr. Mosley stated those participants would work directly with DETR and its databases to locate appropriate jobs. Persons in the third tier would receive the

$200 biweekly incentive or their employer would be provided with incentives, depending on which incentive proved to be the most meaningful methodology.

Mr. Mosley stated that SSW was a collaborative project that included the Department of Health and Human Services (DHHS), which included the Temporary Assistance for Needy Families (TANF) component. He noted that DHHS had partnered with DETR in the development of the SSW collaborative approach, which would deal specifically with TANF recipients. Another component in the SSW program would be the population served by DETR's Bureau of Vocational Rehabilitation (BVR). Mr. Mosley advised that DETR had provided over $1 million to the Department of Corrections (DOC) for its reentry programs. Mr. Mosley said DETR would redirect that available funding to make $500,000 available for training and $500,000 specifically available for reentry programs.

Mr. Mosley said the majority of the funding would be used in conjunction with the local workforce investment boards. The DETR was working very closely with the Southern Nevada Workforce Investment Board, where programs would be sector-driven. Funds would be designated for the specific industry sectors that were deemed essential to the state, such as green economy jobs and jobs in the healthcare industry. Mr. Mosley said that funding for SSW from the local investment boards would be used specifically for jobs in the sectors that had been deemed essential for the state's economic development growth.

Mr. Mosley explained that the $200 biweekly training allowance could very well be paid to a current UI benefit recipient and could assist the person in paying transportation costs, child care costs, and other costs associated with the training.

Chair Conklin said it appeared that the $200 biweekly payment was for unemployed persons who were involved in the SSW program, and that allowance would be in addition to their current UI benefit payments.

Cynthia Jones, Administrator, Employment Security Division (ESD), DETR, replied that was correct. The concept with that particular component of the program was that an unemployed worker would have the opportunity to improve their job skills by working with an employer in an unpaid training position, which would not jeopardize their UI benefits, and at the same time the person would be paid a $200 stipend to cover costs such as transportation, child care, and other things that might prove to be barriers to that person's ability to participate in the program. That would eventually allow a claimant to once again participate in the workforce.

Chair Conklin referenced the on-the-job training (OJT) portion of the SSW program, and noted that the program would be used in high-demand or high-growth occupations within the labor market. He asked how those occupations would be identified.

Larry Mosley, Director, DETR, explained that the majority of those occupations would be identified via the local workforce investment board's sector initiatives. He pointed out that Senate Bill No. 239 of the 75th Session (2009) also directed DETR to ascertain what job sectors were the high-growth or high-demand areas.

Chair Conklin commented that he was not familiar with the Georgia Work$ program, but he was aware that the state of Georgia had been highly successful in its economic development and diversification efforts. He believed there had been coordination between the success of Georgia's workforce program and its economic development and diversification program. Chair Conklin asked exactly how DETR intended to dovetail the SSW program with the anticipated demand based on the state's goals of diversifying Nevada's economy. He opined that the current high-demand occupations might not necessarily be the occupations the state would need in the future.

Mr. Mosley explained that the Silver State Works (SSW) program would not be rolled out until July 1, 2011. The DETR was currently looking to the Legislature for direction through comments such as those made by Chair Conklin, and was looking at other components within the communities to understand specifically what areas would be considered high-growth or high-demand areas essential to the state. Mr. Mosley said DETR would solicit direction from the Governor and the Legislature to identify programs that might emerge through economic development efforts to allow DETR to continue to develop training efforts. Mr. Mosley concurred with Chair Conklin and explained that he was presenting the basics of the SSW model.

Mr. Mosley indicated that there could also be training in occupations that were not included in high-growth areas. He explained that DETR had to offer on-the-job training (OJT) that was both rehabilitation- and reentry-friendly. He pointed out that many persons within that population might not fit well into the high-growth areas. Mr. Mosley stated that DETR's business development team that serviced the OJT programs would be retrained to be specific job developers who marketed the programs in appropriate sector areas. For example, said Mr. Mosley, the mechanic who recently worked on his car informed him that he had recently hired another mechanic directly from the reentry program through the Department of Corrections. He told Mr. Mosley that he would have hired two mechanics had he been able to afford the second salary. Mr. Mosley said that would have been a good opportunity for an OJT reentry participant.

Mr. Mosley agreed with Chair Conklin that many jobs would not be within the high-growth sector, and DETR would have to be very clear about jobs as related to sectors and those that were reentry friendly. Another component of the SSW program was to teach persons how to develop skills and perhaps start their own businesses that could employ others. Mr. Mosley noted that DETR had to develop wraparound programs.

Chair Conklin asked about the employer incentive payment. It was his understanding that SSW program participants would be paid an hourly rate equal to the Nevada minimum wage, and would not be paid a wage that was substantially less than the wage being paid for a similar job in the local economy. He noted that the average wage of the unemployed person might be greater than the minimum wage, such as the wages for an unemployed plumber. Chair Conklin wondered what the incentive would be for an unemployed plumber to be retrained and paid at the minimum wage through the SSW program. He asked whether the program would be targeted at a certain audience.

Mr. Mosley explained that the program would target unemployed persons who were currently drawing or had exhausted their UI benefits. For example, the construction industry was a key area of unemployment, and DETR would work with its private partners and community colleges to determine what type of assessments needed to be done to locate other areas where unemployed construction workers could apply their skills. The selling and marketing to those specific areas would be extremely important as related to overall job development, but information from the Office of the Governor and the Legislature pertaining to economic development would also be critical in job development. Mr. Mosley reiterated that economic development had to be a component of the SSW program.

Cynthia Jones, Administrator, Employment Security Division (ESD), DETR, informed the Subcommittee that the average wage in Nevada for 2010 was $43,000 per year. She reiterated that DETR had to identify the right person for the right program with the right employer. That was the reason DETR had not taken a one-dimensional approach, such as the programs offered in Texas and Georgia, and had designed a more robust program that offered different types of service models. The DETR could then find the one that best fit both the employer and the worker in an effort to reach a wider audience.

Chair Conklin noted that DETR had multiple units involved in the SSW program delivery system across several divisions, and he asked who would coordinate or be the single point of contact for the program.

Ms. Jones explained that DETR and the Department of Health and Human Services (DHHS) had been partnering in the effort, but DETR would assume the leadership role. The Department's internal coordinator for the project was Lynda Parven, Deputy Administrator, South, Employment Security Division. Ms. Jones stated that Ms. Parven had worked diligently with DETR's program partners and had held weekly meetings to review the program design; she indicated that work groups were constantly meeting and the program was forging ahead.

Senator Kieckhefer noted that there would be several categories of people who were eligible for the SSW program based on certain criteria, such as offenders transitioning out of the Department of Corrections, and there were three components of the SSW program: Employer-Based Training, OJT, and Employer Incentive. Senator Kieckhefer asked whether DETR envisioned any restrictions in determining which category of participants would fit into which program categories.

Ms. Jones explained that restrictions would be based on the funding stream that was attached to the programs. The DETR's goal was to make services seamless to the client because the type of funding was not important to the client. She stated that the client would approach DETR for services that would be available to a variety of populations, and DETR would determine the appropriate funding stream on the back end. For example, there were restrictions on rehabilitation funding that mandated those funds had to be used for persons with disabilities.

Senator Kieckhefer asked whether the funding allocated to the three components of the SSW program were fixed amounts or whether there was a flexible dollar figure that DETR could use in selecting the right category for the person seeking services.

Ms. Jones said the funding available through DETR was very flexible. The Department wanted to make sure that it funded the right person in the right opportunity. Ms. Jones explained that DETR did not want to artificially constrain itself by limiting the amount spent on employer incentives or stipends. The DETR wanted to determine how best to leverage its funds and maximize its resources to reach the most people and realize the most positive effects. Ms. Jones indicated that the funds DETR would be using did not have the constraints that they could only be spent on certain services, but rather the funding was based on the population.

Larry Mosley, Director, DETR, said one example of the funding restrictions would apply to the Temporary Assistance for Needy Families (TANF) community. There was approximately $2 million in funding within the SSW program to specifically serve the TANF at-risk community; however, some TANF participants would also be included in DETR's unemployment database, which would also make those persons eligible to participate in the SSW program. Mr. Mosley stated that DETR would use the appropriate blend of funding sources. The DETR was currently working on other relationships with the federal government that would add another funding entity.

Senator Denis noted that candidates for the program would be assessed using three tiers, and he wondered whether those tiers had been prioritized. Mr. Mosley explained that participants in Tier 1 would be those persons who were not work ready and would require additional training.

Senator Denis said the description of a Tier 1 participant included, "no clear motivation," and he asked for clarification. Mr. Mosley said that was a major component of the TANF population. The Division of Welfare and Supportive Services offered TANF participants a work experience program that prepared participants in basics such as getting up and going to work and the protocols of work. The reentry population would probably also require some cognitive approaches within Tier 1. The objective was to move participants from Tier 1 to Tier 3, which would make those individuals employable.

Mr. Mosley stated that case management was the consistent component within all tiers and was a requirement of the Workforce Investment Act, the TANF program, and the Bureau of Vocational Rehabilitation. He explained that the various existing programs contained the same tier components, but the SSW program would combine the funding and the populations under one program umbrella. As previously explained, said Mr. Mosley, DETR would have the overall responsibility of reporting the results of the SSW program to the

Governor and the Legislature. He stated that DETR's internal coordinator was currently developing the performance indicators for the SSW program.

Mr. Mosley reiterated that DETR would be calling upon the Legislature and the Governor's Office to solicit ideas about other elements that should be included in the Silver State Works (SSW) program. The intent of the program was to be a perfect blend of collaboration between a number of agencies, along with input from the Legislature and the Governor's Office. Mr. Mosley indicated that DETR had already identified prospective funding sources without requesting additional funds from the Legislature.

Chair Conklin referred to the proposed transfer of the Apprenticeship Program from the Department of Education to DETR's Employment Security Division. He asked whether DETR had met with representatives from the Apprenticeship Program and whether concerns had been voiced regarding the transfer. Chair Conklin recognized that the proposed transfer would change the program funding source from General Fund to federal Workforce Investment Act (WIA) revenue, and he asked about the sustainability of that revenue source.

Dennis Perea, Deputy Director, DETR, stated that he had discussed the transfer of the Apprenticeship Program with the Department of Education. The only concern was that the Department of Education was statutorily required to review the curriculum of the Program, and Mr. Perea said that would continue to be the case because the Department of Education was the expert in subject matter for the program.

Funding for the Apprenticeship Program was allocated to community colleges based on training hours, said Mr. Perea, and DETR would make no changes in that funding formula. The funding for the Program would be through WIA and the Governor's reserve fund, and Ms. Olson would describe the sustainability of the funding.

Chair Conklin asked whether the funding for the Program was currently administered through local workforce investment boards.

Renee Olson, Administrative Services Officer (ASO) 4, DETR, explained that DETR allocated approximately 10 percent of WIA revenue to the Governor's reserve fund. That funding was available to the Governor to fund various programs that met the mandates of the Workforce Investment Act. Currently, said Ms. Olson, the process in place was that proposals for use of the Governor's reserve fund would be considered by the Governor's Workforce

Investment Board, and a determination would be made by that Board whether or not to obligate a portion of the reserve funding to the proposed program. Ms. Olson reiterated that decisions regarding how the reserve funds were spent would ultimately be determined by the Governor or his designee.

Chair Conklin asked about the status of funding based on passage of House Resolution (H.R.) 1, which proposed eliminating of a portion of WIA funding. Ms. Olson said DETR was waiting for final action regarding H.R. 1 because negotiations were still underway about the final budget proposal. Ms. Olson believed that Ms. Jones could provide additional information.

Chair Conklin asked whether passage of H.R. 1 would affect funding for the Apprenticeship Program.

Cynthia Jones, Administrator, Employment Security Division (ESD), DETR, stated that the current proposal under H.R. 1 did not eliminate the Workforce Investment Act (WIA) program. It would eliminate the funding for program year 2012. The concept at the federal level was that there was sufficient money in the system to carry over and sustain the program until program year 2013. However, said Ms. Jones, most states and most workforce investment boards vehemently disagreed with that concept. There had been no action taken on H.R. 1 by the U.S. Senate to date, and Ms. Jones said she would be very surprised if the Senate and the President agreed to eliminate the WIA funding, but she suspected there might be some reductions in program funds.

Ms. Jones concluded that a reduction of program funds would affect the level of reserve funding that was available, but DETR believed there would be sufficient balances available in that reserve fund to fund the Apprenticeship Program as long as WIA remained in effect.

Chair Conklin again asked about the sustainability of funds under WIA should the Senate pass H.R. 1.

Larry Mosley, Director, DETR, explained that WIA was one of two sources of funding. He stated that the Governor’s Workforce Board administered 10 percent of the WIA funds, and as long as WIA remained in effect, that 10 percent would remain available through the Governor.

Chair Conklin asked whether DETR expected passage of H.R. 1 to affect the Apprenticeship Program funding in any way. Mr. Mosley said he could not answer that question at the present time. To the extent that funds were available to the Governor via the WIA, there would be funds available for the Apprenticeship Program. Mr. Mosley stated that DETR did not expect a funding effect for program year 2012; however, the funding for program years 2013 and 2014 might be affected.

Renee Olson, ASO, DETR, added that a reduction in WIA funding would reduce the amount that was allotted to the Governor's reserve fund. However, the Governor could reprioritize the funding that was allotted and continue funding for the Apprenticeship Program. Ms. Olson said it was difficult to determine whether the program would be fully funded because the outcome depended on action that would be taken by the federal government.

Larry Mosley, Director, DETR, stated that if the funding was eliminated under H.R. 1, funding in the Governor's reserve fund would diminish. The Governor had the authority to reposition the entire amount of formula-driven funding and include the Apprenticeship Program. Therefore, said Mr. Mosley, funding for that program could be realized through the reserve fund.

Chair Conklin asked whether there were further questions regarding budget account (BA) 4770, and there being none, the hearing was closed. The next budget for review by the Subcommittee was BA 4767.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
DETR—CAREER ENHANCEMENT PROGRAM (205-4767)
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Chair Conklin said it appeared that merging the Career Enhancement Program (CEP) with the Employment Security Division (ESD) would leverage and maximize program output and funding, and he asked Ms. Jones to elaborate on that concept. He also wondered whether statutory changes would be necessary to complete the merger.

Cynthia Jones, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation (DETR), indicated that DETR did not believe statutory changes would be required to complete the merger. She noted that the authority for the Unemployment Insurance (UI) programs and CEP were aligned under the administrator of ESD within Chapter 612 of the *Nevada Revised Statutes*.

Ms. Jones said CEP was originally designed as a stand-alone program that targeted only UI recipients. Since that time, CEP had evolved into an integral partner of the Nevada JobConnect system, and program staff operated side-by-side with federally funded employees who provided UI services. Ms. Jones said that currently when a person contacted a JobConnect office for services, the person was directed to different staff depending upon which services were being sought. The ESD would like to move toward a seamless service delivery model, similar to that envisioned for the Silver State Works (SSW) program, where a person could access all services through one staff person, rather than seeing a separate person for each service. Ms. Jones said that blending the funding streams would allow each employee to access all services. The ESD wanted the funding to support the overall programs as opposed to funding separate stand-alone programs.

In addition, said Ms. Jones, ESD received grant funding that crossed budget accounts, which required many codes to properly allocate that funding among the budget accounts. Merging the accounts would create better efficiencies, better transparency, and better accountability for expenditures that occurred within ESD's employment and training service programs.

Chair Conklin noted that the dedicated funding stream for the CEP program was realized through wage assessment revenues, but those revenues had been in decline. He wondered what action ESD would take in response to the decline in the wage assessment revenues and to stabilize the dwindling reserve balance.

Ms. Jones said that budget account (BA) 4767 included decision unit Enhancement (E) 600 that would eliminate five vacant positions from CEP in recognition of the reduction in revenues that had been realized. As unemployment tax collections decreased because of reduced payrolls, ESD's wage assessment collections for CEP also decreased. Ms. Jones indicated that the staff reductions would be made to ensure that ESD's staff services and client services dollars were in balance and to ensure that the client service level remained status quo. The ESD wanted to make sure that it was able to put all available resources into the new initiatives that it hoped would have a positive effect on Nevada's economy through the SSW program.

Chair Conklin said ESD proposed to cut five positions to deal with the dwindling reserves and declining revenue, and he wondered what effect that would have on the services provided through CEP.

Ms. Jones said there would be less staff in the JobConnect offices to provide the services, but at the same time ESD was reengineering the method it used to provide services in the JobConnect offices. The ESD was changing the way it delivered services to a more customer-focused and a more case-management-focused delivery system and adding more direct contact with businesses. Ms. Jones explained that ESD would gain some efficiencies in its delivery system through the SSW program.

Larry Mosley, Director, DETR, stated that the objective was to make JobConnect services available through the one-stop shop. That would be realized by bringing in partners that were funded through the Workforce Investment Act (WIA) such as local workforce investment boards that offered resources through the JobConnect offices. Mr. Mosley said that would include federal agencies as well, and through the one-stop shop additional staff would be available.

Chair Conklin stated that decision unit Enhancement (E) 325 requested funding for 12 intermittent workforce services representative 2 positions to accommodate the Re-Employment Service (RES) program workload. Chair Conklin asked Ms. Jones to quantify the output of the RES program.

Ms. Jones said the decision unit requested approximately $1.1 million over the biennium; however, over the past two years, the RES program had saved the UI Trust Fund over $6 million in reduced benefit payments by reducing the duration of unemployment. The goal of the RES program was to connect UI benefit recipients with the services available in the Nevada JobConnect system. Ms. Jones stated that when the nation moved to call centers as opposed to UI representatives personally handling claims, the disconnect grew even though efficiencies had been gained in the UI program. Ms. Jones reported that the RES program brought people into the JobConnect offices and helped them reconnect with the available services, which provided a savings to the UI Trust Fund.

Chair Conklin asked whether the aforementioned $6 million in savings had occurred over the 2009-2011 biennium. Ms. Jones replied that was correct. Chair Conklin asked whether ESD anticipated another $6 million in savings over the 2011-2013 biennium, and Ms. Jones stated that was correct.

Chair Conklin asked whether there were additional questions regarding budget account (BA) 4767, and there being none, the hearing was closed. The next budget account for Subcommittee consideration was 4771.

DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION
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Chair Conklin said the Subcommittee would like to discuss the Unemployment Insurance (UI) modernization project as depicted in decision unit Enhancement (E) 587. He asked for an update of the project including the anticipated date that the system would be fully operational, and how operating costs for the new system would compare to the current system.

Cynthia Jones, Administrator, Employment Security Division (ESD), Department of Employment, Training and Rehabilitation (DETR), stated that Mr. Haws had briefly touched on the new UI modernization project in his earlier testimony today. The first phase of the modernization project would be rolled out in approximately June 2011, at which time ESD would begin to transition its technology to that system. Ms. Jones explained that Mr. Haws would provide the details about the project. She was pleased to say that the project was on time and on budget, and she was very excited about the new functionality and features that were included in the system.

David Haws, Administrator, Information Development and Processing (IDP) Division, DETR, reported that the UI modernization project was, as previously stated by Ms. Jones, on target, on schedule, and on budget. He explained that the IDP Division had also put together extensive testing plans. There would be three major releases with the first occurring in June 2011, which would encompass electronic imaging of all UI documents that came into ESD and would make those documents accessible agency-wide. Mr. Haws indicated that the second phase would be rolled out in November 2011, which would provide dynamic fact-finding and provide additional automation for ESD's adjudication staff. He noted that there would be extensive testing—unit testing, integration testing, volume stress testing, and user acceptance testing—before the system "went live." Mr. Haws emphasized that the expectations would be well tested before the system was rolled out.

Chair Conklin asked how the operating costs of the new system would differ from the costs for the current system. Mr. Haws said that the original Technology Investment Request (TIR) for the UI modernization project had estimated ongoing operational costs at $3 million. That projection was probably $1 million more than ESD was paying for maintenance on its current system. Mr. Haws pointed out that there would be more technology to support with the new application, which would be more maintainable going forward and would do a better job in assimilating management reports. There would be an added technology cost, said Mr. Haws, but the expectation was that there would also be a reduction in costs associated with the identification of possible fraud and overpayments and by allowing staff to become more efficient and more customer-oriented. Mr. Haws explained that those were the objectives of the UI modernization project.

Chair Conklin believed it would be interesting to see the actual savings that occurred over the 2011-2013 biennium because of the operational efficiencies of the new UI modernization system, which would justify the increased maintenance costs. Those statistics should be available for review by the 2013 Legislature, and Chair Conklin said success stories in information technology improvements would be critical in accessing additional improvements. Mr. Haws agreed and stated that information about the success of the UI modernization project would be available to the 2013 Legislature.

Chair Conklin asked whether there were additional questions from the Subcommittee regarding BA 4771, and there being none, the hearing was closed.

Chair Conklin opened public testimony and asked whether there were persons in the audience who wished to present testimony to the Subcommittee.

Jack Mayes, Executive Director, Nevada Disability Advocacy and Law Center, and a member of the Nevada State Rehabilitation Council, introduced himself to the Subcommittee and stated that he would like to testify as an individual with disabilities.

Mr. Mayes said that he was a successful recipient of vocational rehabilitation services, and he realized that tough questions had to be asked. As a successful recipient, there had been several areas in which vocational rehabilitation services had benefitted him.

Mr. Mayes explained that at the age of ten he was diagnosed with juvenile rheumatoid arthritis and since that time he had undergone multiple surgeries. He stated that vocational rehabilitation services had made a quite a difference in his life and he wanted to repay that debt. Mr. Mayes noted that vocational rehabilitation had assisted him with the costs for education and with job placement services after graduation, thereby helping him to begin a career path.

Approximately five years ago, Mr. Mayes said he received postemployment assistance in modifying his vehicle to add a lift for his electric scooter, which allowed him to remain mobile. Mr. Mayes wanted to emphasize the importance of vocational rehabilitation services, and he asked that during the current tough economic times, that people with disabilities not be forgotten.

Chair Conklin thanked Mr. Mayes for his testimony and asked whether there were other persons who wished to present testimony.

There being no further testimony and no further business to come before the Subcommittee, Chair Conklin adjourned the hearing at 10:53 a.m.

RESPECTFULLY SUBMITTED:

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Carol Thomsen
Committee Secretary

APPROVED BY:

____
Assemblyman Marcus Conklin, Chair

DATE: ____________________________

Moises Denis
____
Senator Mo Denis, Chair

DATE: ____________________________

EXHIBITS

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

Date: March 16, 2011 **Time of Meeting: 8:01 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster