

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON PUBLIC SAFETY/NATURAL
RESOURCES/TRANSPORTATION**

**Seventy-Sixth Session
March 17, 2011**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on Public Safety/Natural Resources/Transportation was called to order by Chair Joseph M. Hogan at 8:05 a.m. on Thursday, March 17, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/76th2011/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Joseph M. Hogan, Chair
Assemblywoman Maggie Carlton, Vice Chair
Assemblyman Kelvin Atkinson
Assemblyman David P. Bobzien
Assemblyman Pete Goicoechea
Assemblyman John Hambrick

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator David R. Parks, Chair
Senator Sheila Leslie
Senator Dean A. Rhoads

STAFF MEMBERS PRESENT:

Mike Chapman, Principal Deputy Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Eric King, Program Analyst
Heidi Sakelarios, Program Analyst
Connie Davis, Subcommittee Secretary
Cynthia Wyett, Subcommittee Assistant

SPECIAL PURPOSE AGENCIES

OFFICE OF THE MILITARY

MILITARY (101-3650)

BUDGET PAGE MILITARY-1

William R. Burks, Brigadier General, the Adjutant General of Nevada and Commander of the Nevada National Guard, identified himself for the record and thanked the members of the Subcommittee for the opportunity to discuss the Office of the Military's proposed budget for the 2011-2013 biennium.

In his opening remarks General Burks advised the Subcommittee that the Office of the Military fully supported the goals and objectives that Governor Sandoval presented in his State of the State Address. General Burks indicated the current "desperate times" in Nevada's economy called for "desperate, but creative, measures and ideas" that met the challenges the state faced. He said the constant funding difficulty was typically a balancing act between federal appropriations and state funding. As such, General Burks said the Office of the Military had taken every precaution and made difficult decisions to prevent the possibility of the federal government "driving a bill back" to the State of Nevada.

General Burks advised the members of the Subcommittee that the mission of the Office of the Military, under the authority of the Governor as Commander in Chief, was to enlist, organize, arm, train, and equip the state's National Guard units to defend and protect the lives and property of Nevadans in times of emergency, disorder, or disaster. The federal mission of the Office of the Military was to support and defend the *United States Constitution* by providing soldiers and airmen to respond to national emergencies or war, as directed by Congress or the President. The Adjutant General, he said, provided command and control for the Office, which consisted of the Army National Guard and the Air National Guard.

Additionally, he said that the Nevada Army and Air National Guard received a "significant" portion of its operational, custodial, and buildings and grounds maintenance support from the federal government and some from the state through a federal/state agreement called the Master Cooperative Agreement (MCA). Under the terms of MCA, the state provided certain services and support for which it billed the federal government for reimbursement. General Burks said that while the percent of reimbursement varied with the type of services provided, the majority of reimbursement was provided on a basis of 75 percent by the federal government and 25 percent by state government.

General Burks indicated he would present five separate budget accounts for which state funds represented approximately 1 percent to 2 percent of the approximately \$200 million generated by the Nevada National Guard each year. The Subcommittee members were provided a copy of the *Nevada National Guard Biennial Report Fiscal Years 2009-2010* ([Exhibit C](#)) in which pages 10 and 11 described the economic impact by county for fiscal year 2009 and fiscal year 2010.

General Burks reported that budget account 101-3650 was the Office of the Military's primary budget account for which total funding was \$14,878,937 for fiscal year 2011-12 and \$15,702,598 for fiscal year 2012-13.

General Burks said that traditionally the General Fund share portion accounted for about 25 percent of total funds but pointed out that the percentage of state support recommended was currently less than 14 percent, or \$2 million, in the first year of the biennium and less than 16 percent, or \$2.4 million, in the second year of the biennium. He attributed the change in percentage to meeting past budget adjustments because he said it was most efficient to find adjustments that were 100 percent state-funded. General Burks pointed out, however, that the adjustments had largely left federal-funded expenditures intact, which had unbalanced the previously mentioned 75/25 percent split between the federal government and the state.

General Burks discussed the following new programs included in budget account 101-3650:

- Decision unit Enhancement (E) 325 recommended federal funds totaling \$67,507 in fiscal year 2013 for personnel, maintenance, and utilities for a new Civil Support Team Armory in Las Vegas. General Burks explained that the new military hazmat team would respond to nerve agents,

nuclear attacks, and biological or chemical warfare. The new armory would house specialized equipment and vehicles and would come online in October 2012. Once operational, General Burks said the funding would remain federal.

- Decision unit E326 recommended federal funds totaling \$189,911 in fiscal year 2013 for personnel, maintenance, and utility expenditures for the new Field Maintenance Shop in Las Vegas, which would be located at the Las Vegas Readiness Center. The request was entirely federally funded.
- Decision unit E327 recommended General Funds totaling \$419,404 in fiscal year 2013 for personnel, maintenance, and utility expenditures at the new North Las Vegas Readiness Center, which was anticipated to come online July 1, 2012. The Readiness Center would house other National Guard units currently overcrowding the Clark County Armory located at the Floyd Edsall Training Center. Custodial, maintenance, and operating expenses would be entirely state-funded.

General Burks noted that the Office of the Military was currently short five armories in Las Vegas to house soldiers, which was the result of growth in the Army Guard in Nevada. He said the new armory would reduce the overcrowding being experienced in southern Nevada.

General Burks reported that decision unit E710 for computer replacement equipment and E730 and E731 for facilities maintenance projects were eliminated by decision unit E608. He said E608 recommended reductions to contracts for janitorial, electrical, and plumbing services and eliminated recommendations for increased building maintenance and furnishings.

Chair Hogan requested additional information concerning how the reduction of staffing would affect maintenance of facilities.

In response, General Burks said that although saving jobs had always been a priority and past budgets were built to least affect jobs, a reduction in staff was hoped to be a short-term solution to lessening the current budgeting problems. General Burks said that he was prepared to have uniformed members of the Guard spend an afternoon on base cleanup.

General Burks continued his presentation:

- Decision unit E732 recommended federal funds totaling \$166,100 in fiscal year 2012 and \$147,350 in fiscal year 2013 to support miscellaneous maintenance and repair projects at maintenance shops and facilities at the complex in Carson City. There was no requirement for General Fund monies to support the decision unit.
- Decision unit E900 recommended the transfer of federal funds totaling \$2,058,733 in each year of the 2011-2013 biennium from the Military Adjutant General Construction Fund, budget account 3652, to the Military budget account 3650 to manage ongoing construction interests.

General Burks advised that budget account 3652 would remain intact because it allowed American Recovery and Reinvestment Act of 2009 (ARRA) funds to be easily tracked. He said the funds were not anticipated for the upcoming biennium and had been adjusted out of the budget, and the remaining authority of \$2,058,733 would be consolidated with the main budget account for simplification.

General Burks next discussed budget reduction measures and provided the following recap of the 2009-2011 biennium and decision unit Maintenance (M) 160 for positions eliminated in the budget for the 2007-2009 biennium:

- The Project ChalleNGe reduction resulted in canceling the program with California and the layoff of two employees who operated the program. In addition, the layoffs of two custodians and one maintenance worker occurred in July 2008, which affected the ability to clean facilities in the Las Vegas area and to maintain facilities in northern Nevada. The total state savings realized was \$1,304,351 in fiscal year 2010 and \$1,305,536 in fiscal year 2011, while at the same time federal funds of \$162,843 and \$163,936, respectively, in each year of the biennium were unrealized.

Assemblyman Goicoechea asked whether all ARRA funds had been expended.

Jennifer McEntee, Administrative Services Officer, Office of the Military, identified herself for the record. In response to Assemblyman Goicoechea, Ms. McEntee advised that the ARRA funds had been entirely expended, and the funding that remained in the account was reserve funding from armory rentals.

She said the funding would remain in reserve in the event building maintenance was needed.

Assemblywoman Carlton asked for clarification concerning why the positions for the North Las Vegas Readiness Center were recommended to be funded with monies from the General Fund when the positions for the other two new facilities would be funded with federal funds.

General Burks explained that the Civil Support Team Armory would be located at the North Las Vegas Armory, and the maintenance for those facilities was entirely federally funded.

Ms. McEntee provided additional information that the Master Cooperative Agreement funded various facilities and functions at different levels. She advised that the Civil Support Team facility was entirely federally funded while state funding typically supported maintenance and operations for armories. Ms. McEntee said that funding depended on what was being done at each location.

In response to an additional question from Assemblywoman Carlton, Ms. McEntee clarified that personnel working in facilities that were entirely federally funded would be paid with federal funds. She said, however, that some of the positions in the armories and some office staff were entirely state-funded, and when a reduction in staff was necessary, staff was reduced from those that were state funded and from contracts for janitorial, electrical, and plumbing.

In response to a question from Assemblywoman Carlton concerning the elimination of decision units E710, E730 and E731 through decision unit E608, Ms. McEntee confirmed that the decision units identified funding sources, which were eliminated to reach the budgeted target reduction number.

Chair Hogan discussed decision unit E606, which recommended the elimination of positions that resulted in a reduction of federal funds and asked for clarification on why the Master Cooperative Agreement would no longer provide funding for the positions.

Ms. McEntee explained that the Master Cooperative Agreement spelled out certain requirements that the state had to meet. She said that funding from the federal government could pay, in certain instances, up to 50 percent or 75 percent, which was established at the time the Master Cooperative Agreement was negotiated and based upon the availability of federal funding.

Assemblyman Hambrick asked for the number of full-time guardsmen in the Nevada National Guard.

General Burks provided the following numbers:

- The Nevada Army Guard included approximately 3,300 members of which about 350 were full-time guardsmen.
- The Nevada Air Guard included approximately 1,150 air guardsmen of which about 1,080 were located in northern Nevada and about 80 in southern Nevada.
- There were about 350 full-time air guardsmen of which about 60 or 70 were located in Las Vegas, and the balance were located in Reno.
- There were approximately 700 full-time guardsmen out of the 4,400 currently in the state.

Chair Hogan discussed decision unit E692 that recommended the elimination of maintenance and custodial positions and engineering technicians and asked whether it would be necessary for the agency to contract for those services.

General Burks indicated it would not be necessary to contract for services if the elimination of positions was a short-term budgeting solution, and if so, he said the Office of the Military could continue to meet its obligations.

Chair Hogan asked whether any provision had been made by the federal government to assist the state in shouldering the costs related to budget reductions.

Ms. McEntee advised that there would be no federal assistance available and further indicated that there were only four positions that had some federal funding. Ms. McEntee said that there could be some expense to the federal government for the two positions that were currently filled but that the state would bear the brunt of the cost.

Senator Parks requested additional information concerning the Master Cooperative Agreement.

Ms. McEntee explained that the Agreement included various services, such as Army Security, defined as appendices and split by function, which determined how much the federal government would pay. Additionally, Ms. McEntee advised that the last Master Cooperative Agreement was negotiated in 2009 and would be negotiated again in five years.

General Burks explained, for example, that the Agreement included funding for security guards, a requirement established by the National Guard Bureau for about 25 guards, which would equate to about \$3.1 million in funding if funded at the 100 percent level. General Burks said that since he had been the Adjutant General, the Bureau had only funded about 60 percent of the requirement.

Hearing no additional questions from the Subcommittee members, Chair Hogan closed the hearing on budget account 3650 and opened the hearing on budget account 3651.

SPECIAL PURPOSE AGENCIES
OFFICE OF THE MILITARY
MILITARY-CARLIN ARMORY (101-3651)
MILITARY BUDGET PAGE MILITARY-13

William R. Burks, Brigadier General, the Adjutant General of Nevada and Commander of the Nevada National Guard, identified himself for the record. General Burks told the members of the Subcommittee that the Carlin Armory would be located at the Fire Science Academy site in Carlin and had "an almost unlimited potential for the Nevada Military Department." Representatives of the Office of the Military, he said, were currently working with representatives of the National Guard Bureau and Nevada's Congressional delegation in Washington, D.C., to finalize approval of transferring federal funding for the facility from Elko to Carlin.

General Burks said that the new budget account proposed for the Military Carlin Armory would transfer the operation and maintenance budget for the University of Nevada, Reno (UNR) Fire Science Academy at Carlin, to the Office of the Military. He said the new budget account would serve to better manage the expenses and operating costs that were previously included in the UNR budget account.

Senator Rhoads asked when the move from Elko to Carlin would take place, whether a new building would be constructed, and what the cost would be for the construction of a new facility.

General Burks said the Office of the Military was waiting for the authority to begin spending funds at Carlin. He explained that agency representatives were working with representatives of the National Guard Bureau and Senator Reid's office in Washington, D.C., to add language into a bill concerning the transfer of funds from Elko to Carlin.

Additionally, General Burks advised that a 5,517 square-foot facility would be built to house the maintenance facility for the trucks currently in Elko. He said the cost of the facility would be approximately \$5 million, and the construction would begin as soon as approval was received for the design. General Burks explained that the original funding appropriation for the Readiness Center was earmarked to be expended within five years, and a date had been established to meet all goals by September 30, 2011. General Burks expected that within the next several months, the new language concerning the transfer of funds from Elko to Carlin would be included in the bill, and the property could be purchased and the contract awarded.

Chair Hogan asked whether waiting for the congressional decision on the transfer of funds from Elko to Carlin would delay the sale of the Fire Science Academy.

General Burks advised that because the construction of the 5,517 square-foot facility depended on a 75/25 federal-state funding split, a delicate balancing act existed to ensure that enough state funding remained for construction of the facility after the purchase of the property.

Chair Hogan asked for information concerning the next steps involved in establishing the Readiness Center at the Carlin facility after federal approval was received.

General Burks reported that approval had been received from a state legislative committee and from the University of Nevada, Reno (UNR) to proceed with the Carlin Armory, the bill of sale for the property had been signed, and an agreement with UNR to continue operations and maintenance of the Fire Science Academy, as a lessee, had been signed.

Chair Hogan asked for additional information concerning the contract with UNR to continue operations and maintenance of the Fire Science Academy.

General Burks advised that decision unit Enhancement (E) 901 transferred \$899,877 in fiscal year 2012 and \$910,115 in fiscal year 2013 from UNR budget account 2980 to the Military budget account 3651. The funding transfer would support costs for personnel, operating expenses, utilities, and building maintenance at the Carlin facility.

Additionally, General Burks reported that UNR employees would be transferred to an enterprise budget account, and the Office of the Military would contract for the personnel expenditures, operating, and maintenance associated with the Fire Science Academy. He advised that bill draft request 1205, later introduced as S.B. 445, had been submitted to support the action.

Assemblyman Goicoechea indicated that there appeared to be some uncertainty concerning the Carlin facility and that the funding was not yet in place for the sale of the property. Additionally, Assemblyman Goicoechea asked whether the funding transfer from UNR to the Office of the Military was from the General Fund.

General Burks advised that General Fund money would be transferred from UNR to the Office of the Military, and that the Office of the Military would contract with UNR for the employees needed to operate the Fire Science Academy. He advised that if, for some reason, the Fire Science Academy ceased to operate, a certain number of positions could be transferred to the Office of the Military.

In response to Assemblyman Goicoechea, who asked whether it could be confirmed that UNR would have a presence at the Fire Science Academy, General Burks said he believed a final decision had not yet been made by UNR President Glick.

General Burks further indicated that although he could not speak for UNR, the Office of the Military planned on having a strong presence in Carlin. He hoped that with an improved economy, agency representatives could return to the Legislature to request funding to establish a Youth Challenge program in Carlin. General Burks pointed out that the facility at Carlin had classrooms and would need only minor modification, not the \$3 million that was previously proposed to retrofit a building at Nellis Air Force Base in Las Vegas. General Burks also indicated that, depending on what occurred with the Fire Science Academy, the Office of the Military had reviewed the idea of moving a portion of its Regional Training Institute from the Stead area, near Reno, to the Elko community.

In response to Assemblyman Goicoechea, who asked for confirmation that the funding earmarked to be transferred from UNR to the Office of the Military was technically money that was in the Nevada System of Higher Education (NSHE) budget, General Burks advised that it was.

Senator Parks asked whether the functions UNR employees would perform were specific only to Fire Science Academy activities.

General Burks indicated that while some duties were specific to the Fire Science Academy, some were not. He explained that it appeared practical that those whose duties were specific to the Fire Science Academy would remain with UNR, while those with more general duties would be transferred to the Office of the Military. He said a dramatic effect on employees would be avoided.

Senator Parks asked for information concerning the term of the contract with UNR to continue the operations and maintenance of the Fire Science Academy.

General Burks explained that the contract, which included a termination clause for the University of Nevada, Reno and the Office of the Military, was negotiated on a year-to-year basis. He explained that the contract was negotiated on that basis because federal funds could not be used to support a state entity.

In response to concern Assemblyman Goicoechea expressed regarding the reality of a contract between the University of Nevada, Reno and the Office of the Military, General Burks indicated he was optimistic the contract would become a reality because he said it was in the best interests of all parties for the continuation of the Fire Science Academy. He indicated UNR's president was attempting to find a funding source to continue the Academy's operation.

Assemblyman Goicoechea expressed appreciation for the General's optimism but indicated he remained skeptical regarding the funding availability.

Hearing no further questions, Chair Hogan closed the hearing on budget account 3651 and opened the hearing on budget account 3653.

SPECIAL PURPOSE AGENCIES
OFFICE OF THE MILITARY
MILITARY-NATIONAL GUARD BENEFITS (101-3653)
BUDGET PAGE MILITARY-21

William R. Burks, Brigadier General, the Adjutant General of Nevada and Commander of the Nevada National Guard, identified himself for the record. General Burks advised the members of the Subcommittee that the National Guard Benefits program encouraged the recruitment and retention of active members to the National Guard.

Additionally, General Burks reported that the Adjutant General could authorize payment of up to 100 percent of the credit-hour costs incurred within the Nevada System of Higher Education (NSHE) for any guardsman attending as a full-time or part-time student during summer sessions when the Tuition Waiver program was not applicable. Reimbursement was dependent upon being a Guard member in good standing, working toward a degree, and receiving passing grades of "C" or higher.

General Burks also advised that budget account 3653 supported the purchase of the Nevada War on Terrorism medals; however, he said no funds would be necessary in the upcoming biennium.

The budget for Military National Guard Benefits was entirely supported with state General Fund monies, and the amount that covered the summer school period was \$61,139 in each fiscal year of the biennium.

Chair Hogan asked whether a budget amendment proposing to restore the National Guard Benefits program during the 2011-2013 biennium had been submitted.

Jennifer McEntee, Administrative Services Officer, Office of the Military, identified herself for the record, and advised that amendments had been submitted for budget accounts 3653 and 3654.

Hearing no additional questions from the members of the Subcommittee, Chair Hogan closed the hearing on budget account 3653 and opened the hearing on budget account 3655.

SPECIAL PURPOSE AGENCIES

OFFICE OF THE MILITARY

MILITARY-EMERGENCY OPERATIONS CENTER (101-3655)

BUDGET PAGE MILITARY-14

William R. Burks, Brigadier General, the Adjutant General of Nevada and Commander of the Nevada National Guard, identified himself for the record. General Burks said that the Military Emergency Operations Center account provided revenue and authority to manage and operate the Emergency Operations Center on the National Guard compound in Carson City, Nevada. He advised that the account served to separate the rental income and operating expenses for the Emergency Operations Center from the normal operating expenses of the Office of the Military.

General Burks reported that the account was funded by building rent charged to occupants of the Emergency Operations Center (EOC). The budget proposed continued funding for two positions and associated operating costs.

General Burks advised that bill draft request 1205, later introduced as S.B. 445, was submitted to support the budget's continuation of collecting rent to support the maintenance and operations of the facility and facilities rented to other Nevada agencies, such as Carlin and the University of Nevada, Reno.

General Burks indicated there were no new programs for budget account 3655.

Additionally, General Burks said the budget reduction measures for the account had been limited in the prior biennium and would continue to be limited for the current biennium to the statewide employee reductions that had been uniformly applied.

Assemblyman Goicoechea asked for information concerning whether the funding for the budget was split between the federal government and the state.

Jennifer McEntee, Administrative Services Officer, Office of the Military, identified herself for the record. Ms. McEntee advised that the budget was, for the most part, state-funded; however, because of some Military occupancy of the building, the Military was billed for rent as well.

General Burks indicated that approximately half of the EOC was occupied by the members of the Nevada National Guard in its joint operations center, while the

other half of the building was occupied by staff for the state Emergency Operations Center.

Hearing no additional questions from members of the Subcommittee, Chair Hogan closed the hearing on budget account 3655 and opened the hearing on budget account 3654.

SPECIAL PURPOSE AGENCIES

OFFICE OF THE MILITARY

MILITARY-PATRIOT RELIEF FUND (101-3654)

BUDGET PAGE MILITARY-23

William R. Burks, Brigadier General, the Adjutant General of Nevada and Commander of the Nevada National Guard, identified himself for the record. General Burks reported that the Patriot Relief Fund was established by the 73rd Session of the Nevada Legislature (2005). The fund was created to provide various entitlements, such as payment for a serviceman's life insurance premiums, the cost of college textbooks, and assistance with financial hardships for families of members called to active service.

General Burks advised that the Patriot Relief Fund was entirely supported with monies from the state General Fund when it was created. He said that the funds were permitted to be carried forward as an unspent balance from previous years, and therefore, no new funds were requested for the upcoming biennium.

General Burks said the amount anticipated to support the benefits was \$171,078 in fiscal year 2011-12 and \$187,332 in fiscal year 2012-13, which would deplete all but \$2,852 of the funds originally allocated in 2005.

Assemblywoman Carlton noted that the program had originally been recommended for suspension during the 2011-2013 biennium and asked whether restoration was recommended because of the funding held in reserve to carry forward.

Jennifer McEntee, Administrative Services Officer, Office of the Military, identified herself for the record. Ms. McEntee advised that initially the funds were slated to be reverted to the General Fund as a part of the Office of the Military's targeted budget reduction. She said, however, that the funds were subsequently restored to the budget request.

Assemblywoman Carlton asked for information concerning the variance between the projections for the performance indicators and the actual number of Guardsmen served through the Military Patriot Relief Fund.

Ms. McEntee advised that a 10 percent per year increase was projected for the number of soldiers and airmen that used the service, which she indicated would have to be monitored especially in the second year of the biennium.

In response to Assemblywoman Carlton who asked for the number of Guardsmen that sought assistance in the previous biennium, Ms. McEntee advised that 86 members requested the tuition waiver, 243 members requested textbook reimbursement, and 126 members requested group life insurance premium payments. Ms. McEntee advised that there were no requests for monetary relief because of economic hardships.

General Burks advised that a request for economic hardship assistance had been received the previous day.

Hearing no further questions from the members of the Subcommittee, Chair Hogan closed the hearing on budget account 3654 and opened the hearing on budget account 2560.

SPECIAL PURPOSE AGENCIES

VETERANS' SERVICES

NCVA-COMMISSIONER FOR VETERANS' AFFAIRS (101-2560)

BUDGET PAGE VETERANS-1

Caleb S. Cage, Captain, U.S. Army, Executive Director, Office of Veterans' Services (NOVS), identified himself for the record, and advised that Gary Bermeosolo, Administrator, Nevada State Veterans' Home, and Nancy Jensen, Administrative Services Officer, Nevada State Veterans' Home, would testify from Las Vegas on the Veterans' Home budget account 2561.

Mr. Cage referred the Subcommittee members to his presentation document ([Exhibit D](#)) and advised that NOVS' budget for the 2011-2013 biennium covered budget accounts 2560 and 2561. He said the budgets dictated all programs and activities necessary to assist the veterans of Nevada, their widows, and family members in receiving aid earned through military service to the United States.

Mr. Cage said that in 2000, the veteran population for Nevada totaled approximately 238,000, the agency's fiscal year 2000 budget was just under

\$1.2 million, and the Nevada State Veterans' Home had just begun to be constructed. During the last biennium, Mr. Cage said the veteran population exceeded 340,000, and the agency budget had increased to approximately \$19 million with approximately \$2 million originating from the General Fund in fiscal year 2012 and in fiscal year 2013.

Mr. Cage reported that the Nevada Office of Veterans' Services staff totaled:

- 186 employees who cared for nearly as many residents of the Veterans' Home 24 hours a day, 365 days each year.
- 17 employees who buried over 2,000 veterans and their family members each year.
- 7 veterans services representatives who each brought in more than \$20 million of new, tax-free benefits to Nevada's veterans each year, which was in addition to the millions of dollars in benefits paid to veterans annually.

Mr. Cage said that during the last two years, agency representatives made difficult decisions regarding the future of the agency. He said they had aggressively pursued federal grants to provide for the necessary expansion of the two cemeteries, while continuing to work with reduced staffing at both cemeteries. Additionally, he said they had reduced the prioritization of the proposed Northern Nevada Veterans' Home because of budget constraints and would not pursue that initiative during the current biennium.

Mr. Cage also advised that the agency had contracted for the services of a public relations expert, through the use of donated funds from the Gift Account. He said it was hoped that maintaining or improving the relationship between the Boulder City Veterans' Home and the public would increase occupancy and alert veterans to services, both of which would increase agency revenue and revenue to the state.

Mr. Cage advised that the agency's proposed budget funded a plan to maintain the current level of service at a local level to every veteran of Nevada. He said that the budget would continue to improve the "exceptional services and atmosphere of the Nevada State Veterans' Home in Boulder City" and adequately staff the agency to meet the current and future needs of veterans.

Mr. Cage indicated that the agency was honored to be able to continue services for Nevada's veterans and said that the agency had enhanced services to veterans through improved facilities throughout the state and had improved systems and outreach capabilities. He said, for example, the Nevada State Veterans' Home had replaced its water-softening system, which had deteriorated because of the water supply in Boulder City. Similarly, the Southern Nevada Veterans' Memorial Cemetery had continued progress with the recent construction of a new maintenance building and continued efforts to obtain a grant for an administration building and to increase the number of burial plots. Mr. Cage advised that both cemeteries were undergoing necessary expansions, at no cost to the state, to provide space for cremated remains as well as other remains.

Additionally, Mr. Cage said that the Nevada State Veterans' Home had begun using electronic medical records software that was compliant with the Health Insurance Portability and Accountability Act (HIPAA) and increased the efficiency of the Home's staff, which he pointed to as "a primary indicator of the agency's ability to serve veterans." Mr. Cage also advised that the veterans services representative staff had transitioned to "virtual veteran" software, which allowed for efficient entering and tracking of claims and ensured representatives were meeting goals and performance indicators.

Mr. Cage also advised that NOVS had increased outreach efforts during the past six months. He said that increasing outreach to rural Nevada veterans had been successful with veterans services representative staff traveling in the Mobile Outreach Office (MOO) vehicle to Ely and Eureka in February. The MOO vehicle would be traveling Interstate 80 and Highway 95 and Highway 50 each month to provide outreach services to rural Nevadan veterans.

Additionally, Mr. Cage discussed the agency's women's veteran outreach initiative, spearheaded by Deputy Executive Director, Carole Turner. He advised that the Fourth Annual Women's Outreach Summit had been held the previous week, and attendance was beyond capacity. Mr. Cage indicated that the Office of Veterans' Services would continue to provide outreach services to the 6 percent of Nevada's veterans who were women through continued outreach efforts funded through the License Plate Gift Account.

Mr. Cage next discussed funding changes recommended by the Governor and advised that to close the projected deficit for the 2011-2013 biennial budget, the NOVS was asked to reduce its budget by \$632,322. That number, he said, was in addition to the agency's 10 percent budget reductions submitted in the

Governor's recommended budget. Mr. Cage explained that NOVS offered to return \$834,075 to the General Fund, which was more than \$200,000 over the requested amount of \$632,322, which he said would be offset by increased funding elsewhere in the budget.

Mr. Cage reported that three positions were eliminated, two of which were veterans services representatives, and one was the deputy director's executive assistant. He said the positions were vital, and their loss would reduce the agency's overall effectiveness.

Additionally, Mr. Cage advised that the Veterans' Home in Boulder City recommended a 3 percent increase per year in the daily rate for veterans and nonveterans in keeping with the Medicare medical cost index increase of 3.4 percent. He said, however, the Budget Division removed the 3 percent increase in the daily rate to comply with the order of no increased fees.

With respect to the major issues facing the agency, Mr. Cage reported that NOVS made adjustments to fit the budgetary constraints the state faced. While opportunities were presented to streamline services and increase efficiency, he said the budget constraints also presented future challenges for the agency. Mr. Cage said, for example, much of the agency's operational funding for the cemeteries in Fernley and in Boulder City was received from the federal government, and NOVS was held accountable to federal standards often at the agency's expense. During a recent audit by the National Cemetery Administration, the Southern Nevada Veterans' Memorial Cemetery was listed as noncompliant because of the misalignment of headstones caused by the type of dump truck and excavator used by the cemetery, which in turn affected the agency's prioritization for future federal government funding.

Mr. Cage also advised that NOVS had seven veterans services representatives serving approximately 340,000 veterans throughout the state. Because of the ongoing military operations in Iraq and Afghanistan, he said it was not anticipated that the demand for services would diminish anytime soon.

Mr. Cage reported that, as always, unanticipated maintenance needs throughout the agency could be costly but necessary for ongoing operations, and he said the agency was poised to address those needs as they occurred.

Mr. Cage also pointed out that NOVS' proposed budget did not include requests for enhancements but did include specific equipment requests for consideration. He said that the requests included computer software and the replacement of

computer hardware because of normal use and aging of the equipment. Mr. Cage advised that the Office of Veterans' Services was required to remain in compliance with the United States Department of Veterans Affairs' standard information technology operating systems and requirements.

As previously indicated, Mr. Cage said the Southern Nevada Veterans' Memorial Cemetery identified a compliance problem with respect to gravesite alignment. He reported that the agency had initially included \$65,000 in the budget for an excavator and \$40,000 for a dump truck. Mr. Cage said, however, the agency eliminated the request, and the purchase of the equipment would be pursued through options other than the General Fund.

In regard to the Veterans' Home, Mr. Cage advised that the construction of six bariatric rooms was initially included in the budget as an enhancement. He said, however, that the construction project was removed to meet the agency's budget cap but that they would be looking for federal grants for the project.

Mr. Cage addressed the major changes in funding sources and advised of two projects at the Southern Nevada Veterans' Memorial Cemetery funded by federal grants. The first was the design of a 3,400 square-foot administration building, and the second would expand existing sections of the cemetery. Mr. Cage advised, however, that the expansion was prioritized based on need, and the cemetery was currently identified as having sufficient space. He said the expansion would be pursued during the following biennium.

Additionally, Mr. Cage reported that the burial allowance for each veteran was currently \$400. He said, however, that a federal bill approved in 2010 would increase the interment fees from \$400 per veteran to \$700. As previously mentioned, Mr. Cage said that 2,000 veterans or their family members were buried each year, and the increase in fees would add to the agency's efforts to continue to provide an honorable resting place for Nevada's veterans.

As previously indicated, Mr. Cage said that the reduced number of veterans services representatives would, in turn, reduce the number of veterans who could be served. He reported that there was currently a six-week wait to meet with a veterans services representative in Reno, Las Vegas, Fallon, and Elko, and he said that many veterans who attempted to submit their requests directly to the federal Veterans Affairs without help from a veterans services representative were being denied benefits. Additionally, he said that the 5 percent salary reduction that had been proposed created an apparent surplus in the budget for the Veterans' Home. However, he said that, if necessary, the maintenance,

equipment, and vehicles removed from the Home's budget might be purchased from the surplus for the safety and care of the residents.

Mr. Cage commented that NOVS eliminated three positions, but the Home eliminated none, and that the positions eliminated in the budget were vacant. Additionally, he advised that the agency's performance indicators reflected all of the budget reductions. For example, he said it was assumed that based on nearly 5,000 claims per year filed by each of the veterans services representatives, \$70 million in revenue would have been realized in fiscal year 2012 and \$80 million in fiscal year 2013. He said, however, the eliminated positions reduced the number of claims that would be filed by veterans services representatives to 3,700 in fiscal year 2012 and 3,900 in fiscal year 2013 with a corresponding reduction in revenue to about \$54.5 million in fiscal year 2012 and \$62 million in fiscal year 2013.

Concluding his presentation, Mr. Cage advised that there was no change to the performance indicators for the Nevada State Veterans' Home, budget account 2561.

In response to Chair Hogan's request for information concerning the training costs included in the budget, Mr. Cage advised that the costs were included for annual renewal training for the veterans services representatives. Mr. Cage advised that the federal law concerning veterans' benefits and services was often revised, and training was needed to educate the representatives. Additionally, he said training was needed to ensure that veterans services representatives met the performance standards established for them. Mr. Cage also advised that many options had been discussed including the use of the License Plate Gift Account, generated through the sale of license plates to veterans, to bring the training to Nevada and use it as an outreach event to train agency veterans services representatives and volunteer representatives at the same time.

In response to Assemblyman Goicoechea who asked whether NOVS had a trinity team in Elko, Mr. Cage explained that the trinity team was a concept, developed by his predecessor, to maximize efficiencies to serve a maximum number of veterans. He said the team included two veterans services representatives and an administrative assistant. Mr. Cage advised that the trinity team had been effective in Las Vegas, Reno, and Elko but that one of the veterans services representative positions was eliminated in Elko, and the staff there currently included only one veterans services representative and an administrative assistant.

Assemblywoman Carlton asked for additional information concerning the public relations contract for the Nevada State Veterans' Home.

Mr. Cage discussed occupancy counts as the factor that drove the Home's revenue, and he said that the public relations contract would serve to increase occupancy and at the same time alert veterans to the availability of services. Additionally, Mr. Cage pointed out that optimizing the Home's population would increase Medicare, Medicaid, and federal funding, which allowed the Home to operate independently of the General Fund. Mr. Cage pointed out that the cost for the public relations contract was paid for from the License Plate Gift Account and that the public relations contract would serve to unify the mission of the Office of Veterans' Services across the state. Additionally, he advised that the Veterans' Memorial Cemetery in Boulder City required some public affairs interaction, and although the problem had been solved, a public relations contract would allow the agency to show the veterans of Nevada how much they were appreciated by providing services "under a solid and unified brand."

In response to questions Assemblywoman Carlton asked concerning the new entrance to the cemetery and the high cost of water in Boulder City, Mr. Cage advised that the signage for the new cemetery entrance was currently being developed.

With respect to the high cost of water in Boulder City, Mr. Cage advised that Assembly Bill No. 3 of the 75th Session (2009) "required the area immediately above and surrounding the interred remains in each veterans' cemetery in the state to be landscaped with natural grass," which complied with the national standard. Mr. Cage reported, however, that passage of the legislation resulted in an "exponential increase" in the cost of water, and he indicated the cost would continue to increase. Mr. Cage advised that administrative staff members were currently working with Boulder City representatives concerning other options, such as using "grey water." He said, however, that Boulder City's efforts to use recycled waste water had been stymied.

Senator Parks asked for information concerning a veterans representative for female veterans' issues.

Mr. Cage commented that because of the increased number of female veterans, there was an initiative a few years ago to add a women's outreach coordinator, which had become the national best practice for veterans' affairs agencies throughout the country. Mr. Cage advised that NOVS took the initiative very

seriously and continued to do so under the guidance of Carole Turner, Deputy Executive Director, NOVS. Ms. Turner, a veteran, was previously the Veterans' Health Administration Director for the Women Veterans' Health program. Mr. Cage advised that beyond Ms. Turner's experience at the federal level, she had become the women's veteran coordinator for the agency in the absence of such a position being supported by the General Fund. Mr. Cage said that as previously indicated, Ms. Turner coordinated the annual women veterans' summit alternating each year between northern and southern Nevada and also published a quarterly newsletter. Mr. Cage also discussed the Women Veterans of Nevada, a volunteer organization similar to the American Legion. He said several members of NOVS staff were members who volunteered with the organization. Additionally, he said that NOVS staff members were working with members of the Legislature to ensure that the services for women veterans continued.

Senator Parks mentioned that he had met Ms. Turner on several occasions and was impressed with her work.

In response to questions Senator Parks asked concerning transitioning from metal gravesite markers to granite headstones, Mr. Cage advised that the headstone problem had occurred at the Southern Nevada Veterans' Memorial Cemetery in Boulder City. He indicated that although the bronze site markers would not be replaced with granite, granite was a national best practice of the U.S. Department of Veterans Affairs, National Cemetery Administration, and granite grave markers would be used going forward.

Chair Hogan asked for information concerning why guardianship services were being discontinued.

Mr. Cage explained that the Guardianship program was initiated for veterans who could not act on their own behalf. He said, however, it had become clear that the Nevada Office of Veterans' Services (NOVS) was not staffed to oversee the more than 40 guardianship accounts they had been managing, and an executive audit 2 years ago recommended that guardianship services be discontinued. Mr. Cage advised that a final court order was recently received to disperse the money for the agency's final ward. He explained, however, that NOVS staff continued to work with the guardianship community to ensure that each veteran in the program had his or her assets taken care of and protected by a guardian.

Chair Hogan asked whether services could be supplemented on a volunteer basis from the private sector.

Mr. Cage advised that there were guardians regulated by law throughout the state who worked on a for-profit basis and the number of wards whose affairs they could manage was established in statute. Additionally, he said there were guardians who worked on a pro bono basis. Mr. Cage advised that guardian agencies or programs from outside of the state for an instate veteran did not function well on behalf of veterans. Mr. Cage indicated that he believed the system was better with the Office of Veterans' Services acting as an intermediary and advocating on behalf of the wards.

Chair Hogan asked whether a bill draft request would be submitted to remove the statutory provisions that created the agency's Guardianship program.

Mr. Cage advised that, although it had not occurred to him, he would follow up on the need for a bill draft request that day.

Chair Hogan noted that the agency occupied office space in the Reno federal Veterans Affairs' facility and asked whether the agency had been officially notified that it would need to vacate its current offices during the 2011-2013 biennium.

Mr. Cage said NOVS office space in Reno was based on a verbal agreement between the agency director and the federal location director. He explained that the U.S. Department of Veterans Affairs (VA) provided space to various veterans' services organizations, such as the Disabled American Veterans, the American Legion, the Veterans of Foreign Wars, and the Nevada Office of Veterans' Services. Mr. Cage advised that indicators, such as the hiring of 14 new veterans services representatives at the federal level and that the south Reno location was out of cubicle space and using warehouse space for their employees, suggested that the office space for NOVS was becoming increasingly tenuous.

Senator Parks asked for information concerning decision unit Enhancement (E) 680, which recommended replacing General Funds totaling \$479,600 in the 2011-2013 biennium with the increased federal allowance for burial and funeral benefits.

Mr. Cage confirmed that federal legislation, passed in the previous year, provided an increase of veterans' burial benefits from \$400 to \$700 beginning October 1, 2011. He advised that although Nevada's Congressional Delegation had advised that the funding could be counted on as of October 1, 2011, there

was some uncertainty concerning how the increased burial benefit would affect the NOVS' budget.

Hearing no additional questions, Chair Hogan closed the hearing on budget account 2560 and opened the hearing on budget account 2561.

SPECIAL PURPOSE AGENCIES
VETERANS' SERVICES
NCVA-VETERANS' HOME ACCOUNT (101-2561)
BUDGET PAGE-VETERANS-9

Caleb S. Cage, Captain, U.S. Army, Executive Director, Office of Veterans' Services (NOVS), advised that his previous remarks covered the introductory portion of the Veterans' Home budget account 2561 and that the administrator and administrative services officer for the Nevada State Veterans' Home were available, through a videoconference, to respond to questions from the members of the Subcommittee.

Assemblywoman Carlton recalled that the Executive Director had mentioned the recommendation for a 3 percent per year increase in the daily rate for Veterans' Home residents was eliminated from the budget. Assemblywoman Carlton asked for information on how the Home would manage without the fee increase.

Gary Bermeosolo, Administrator, Nevada State Veterans' Home, Office of Veterans' Services, advised that he became the Home's Administrator in 2003, when the Home was being funded, in large part, by the General Fund. Mr. Bermeosolo advised that in the last five years, the Home had returned all General Fund dollars expended during the start-up years. Consequently, he said they were "proud" to be in a position of being totally self-supportive during the next biennium.

Mr. Bermeosolo said, however, an amendment to the budget had been requested to include \$100 in General Fund in each year of the 2011-2013 biennium. That funding, he said, would allow the Veterans' Home to approach the Interim Finance Committee to request a Contingency Fund allocation in the event of an emergency that could not be funded from reserve funding.

Mr. Bermeosolo reiterated earlier testimony from the Director that the Home's financial success was tied to the census, which he indicated was difficult to calculate. He reported that the average age of veterans who became residents of the Home was 83 years and that they entered when they were "quite fragile

and ill" knowing that the Veterans' Home would likely be their last home. Mr. Bermeosolo said that their condition "dramatically" increased staff responsibility to provide a quality environment and excellent care to them in their last few days, weeks, months, or years.

Mr. Bermeosolo also reported that the average length of stay in the Home was approximately three and a half years. He advised that in the previous month there were seven deaths, while in the current month there had been none. Consequently, he said a continued public relations effort was needed to provide information by way of public service announcements to gain near-to-full occupancy for the Home. Mr. Bermeosolo advised that the Home normally operated at about 92 percent occupancy compared with the nationwide average of 86 percent.

As previously reported by the Director, Mr. Bermeosolo said that a 3 percent increase per year in the daily rate for residents had been requested in the budget to keep pace with the Medicare medical cost index increase of 3.4 percent. He said that typically, the budget was established with a base rate to which was added a per diem rate, a daily payment that helped to offset the cost to the veteran. He advised that the current rate of \$110 per day was approximately half of the rate in other skilled nursing facilities in Las Vegas. Mr. Bermeosolo indicated that a commitment had been made to the Home's residents to only make small increases in the daily rate tied to the inflation rate.

He said, however, as previously indicated, the 3 percent inflationary increase the agency had requested was eliminated from the budget. He said staff anticipated revenue would be sufficient over the 2011-2013 biennium without the 3 percent increase and that the Home would remain self-supportive. He indicated that there would be continued emphasis on the census and advised that 25 percent of the Home's beds could be occupied by spouses of veterans and parents who had a child that died while in military service. Mr. Bermeosolo pointed out that the per diem rate for veterans had increased to the extent that the daily rate for a veteran was more than that of a spouse, and the Board of Examiners would be asked for permission to make the rate equitable, which would increase revenue, if approved.

Assemblywoman Carlton noted that the issues concerning revenue were complicated and asked agency representatives to work with staff to verify the projected revenues including information that confirmed the Medicare, Medicaid, Clark County, and private pay rates used to determine the budget for the 2011-2013 biennium. Assemblywoman Carlton indicated that there was some

concern that the Home had sufficient operating funds because it appeared that the recommended budget for fiscal year 2012 included less than a month of operating reserves.

Chair Hogan agreed that the members of the Subcommittee were concerned about the Veterans' Home fiscal situation and its ability to continue the quality of services after being denied both General Fund support and the 3 percent increase calculated by the agency as appropriate. Chair Hogan asked for information on what the agency considered an optimal level of reserves for the account.

Nancy Jensen, Administrative Services Officer, Nevada State Veterans' Home, Office of Veterans' Services, identified herself for the record. Ms. Jensen advised that it generally took about \$450,000 to begin a year and to continue operations until revenue for that year began to flow into the facility. Additionally, Ms. Jensen advised that funding was needed for equipment and vehicles, which after ten years needed to be replaced. She advised that about \$300,000 in additional funding had been built into reserve funding, which brought the total to \$750,000. Additionally, Ms. Jensen advised that emergency funding was needed in the event a problem occurred with the facility's heating, ventilation, or air conditioning system, but she was hopeful the reserve funding would carry them through the biennium.

Senator Parks asked agency representatives to work with the Subcommittee's staff to substantiate the recommended inflationary increase for pharmaceutical, medical, and nursing expenditures.

In response to Chair Hogan who asked whether the budget amendment had been prepared to include the request for \$100 in each year of the biennium, Ms. Jensen advised that the agency's budget analyst had prepared and submitted the amendment.

Hearing no additional questions from members of the Subcommittee, Chair Hogan closed the hearing on budget account 2561 and opened the hearing to public comment.

PUBLIC COMMENT

There was no public comment.

RESPECTFULLY SUBMITTED:

Connie Davis
Committee Secretary

APPROVED BY:



Assemblyman Joseph M. Hogan, Chair

DATE: _____

Senator David R. Parks, Chair

DATE: _____

EXHIBITS

Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on Public Safety/Natural Resources/Transportation

Date: March 17, 2011

Time of Meeting: 8 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest List
	C	Brigadier General Bill Burks, Adjutant General for Nevada and Commander of the Nevada National Guard	Nevada National Guard Biennial Report
	D	Caleb S. Cage, Executive Director Office of Veterans' Services	Presentation Dated March 17, 2011