**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Sixth Session
April 6, 2011**

The Committee on Ways and Means was called to order by Chairwoman Debbie Smith at 8:04 a.m. on Wednesday, April 6, 2011, in Room 3137 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).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Debbie Smith, Chairwoman
Assemblyman Marcus Conklin, Vice Chair
Assemblyman Paul Aizley
Assemblyman Kelvin Atkinson
Assemblyman David P. Bobzien
Assemblywoman Maggie Carlton
Assemblyman Pete Goicoechea
Assemblyman Tom Grady
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman April Mastroluca

COMMITTEE MEMBERS EXCUSED:

Assemblyman John Hambrick
Assemblyman John Oceguera

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst
Erica Eng, Program Analyst
Anne Bowen, Committee Secretary
Cynthia Wyett, Committee Assistant

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB) summarized that the meeting of the Committee on Ways and Means might be somewhat of a repeat from yesterday's Human Services/CIP Subcommittee hearing. He said he wanted to ensure the full Committee was aware of some of the issues that were going to come up in the budgets but were not being addressed in the closing documents.

Mr. Combs said during the hearing process the focus was not on some of the decision units that were in each budget statewide because those decisions would be made as a whole at some later point. Mr. Combs said he was going to review each decision unit one more time so that the Committee members realized that when voting to close the budgets they were not necessarily making decisions regarding those issues at this time.

According to Mr. Combs, decision unit Maintenance (M) 100 pertained to statewide inflation, statewide cost allocation, Department of Information Technology (DoIT) assessments, and rent. Those types of adjustments were needed to ensure that the amounts included in the budget provided what was ultimately approved for those items for all state agencies, not by a particular budget account, but in one action.

Decision unit M300 referred to changes to fringe benefit rates.

Decision unit Enhancement (E) 670 was the decision unit that implemented the 5 percent salary reduction for state employees.

Decision unit E671 suspended the merit increase for state employees.

Decision unit E672 implemented the suspension of longevity payments.

Decision unit E673 affected the Public Employees' Benefits Program (PEBP) subsidy reduction for part-time employees.

Decision unit E674 reduced holiday premium pay.

Mr. Combs stated all of the items would be taken up in one action at some point during the remainder of the session and the budgets would be adjusted according to that decision.

Mr. Combs said the M800 and E800 decision units typically affected internal cost-allocation plans. For instance, the Department of Business and Industry (B&I), had an allocation that was charged to the agencies within the Department. The cost allocations would be adjusted based on the various budget closings. A decision in one decision unit could affect all the other budget accounts; most closing documents contained a request from staff to make technical adjustments to the cost allocations after the budgets were closed to ensure the agency had what it needed to carry out its business during the upcoming biennium.

ELECTED OFFICIALS
OFFICE OF THE GOVERNOR (101-1000)
EXECUTIVE BUDGET PAGE ELECTED-1

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), said the first budget on the agenda was the Office of the Governor, budget account 101-1000. There were no major closing issues in the account.

Mr. Combs referred to decision unit Enhancement (E) 640, which recommended the elimination of three temporary positions and associated costs approved during the interim to staff the American Recovery and Reinvestment Act of 2009 (ARRA) Director's Office within the Governor's Office. Because of the expiration of ARRA funds during the upcoming biennium, the Governor recommended that three positions in the ARRA Director's Office be eliminated.

Mr. Combs noted that although the contingency fund and the ARRA cost-allocation reimbursement revenues and expenditures were eliminated during the base budget process, the costs for these three positions were left in the budget in the base and then were removed in this E640 decision unit. When the decision was made to leave the positions in the base they were funded with General Fund in lieu of ARRA and contingency funds. Mr. Combs said the costs associated with eliminating the three positions were reflected as General Fund budget reductions in E640. The reductions reflected were $316,610 in fiscal year (FY) 2012 and $320,997 in FY 2013.

According to Mr. Combs, representatives of the Department of Administration indicated that the reporting requirements for the ARRA grants that would continue into the upcoming biennium would be met by staff currently handling those responsibilities in the various agencies that had received ARRA funds. The grant reporting process would also be overseen by staff in the Office of the State Controller as well as staff in the Department of Administration Grants Management Unit, if that unit was approved by the Legislature as recommended by the Governor.

Decision unit E710 in budget account (BA) 1000 added General Funds of $10,924 in the first year of the biennium and $10,060 in the second year of the biennium. The decision unit was for the replacement of computer hardware and associated software as well as providing funding for the Department of Information Technology (DoIT) disk storage and virtual server services.

Mr. Combs noted there was a technical adjustment in BA 1000 as a result of the Budget Division indicating that the salaries for two part-time positions, a policy analyst and a senior researcher, were inaccurately reflected in The Executive Budget. The salaries were reflected at $45,616 annually in each case, when the salaries should be reflected at $46,547 annually. The salaries and the associated fringe costs had been adjusted accordingly which resulted in additional General Funds of $1,918 in FY 2011-12 and $1,944 FY 2012-13.

The decision for the Committee was whether to approve the budget as recommended by the Governor with technical adjustments that had been made by staff for the two part-time positions.

> ASSEMBLYMAN CONKLIN MOVED TO CLOSE BUDGET ACCOUNT 1000, OFFICE OF THE GOVERNOR, AS RECOMMENDED BY THE GOVERNOR, WITH TECHNICAL ADJUSTMENTS FOR THE SALARIES OF TWO PART-TIME POSITIONS. STAFF WAS FURTHER GIVEN AUTHORITY TO ADJUST THE DEPARTMENT OF ADMINISTRATION COST ALLOCATION AMOUNTS BASED ON FINAL CLOSING ADJUSTMENTS IN OTHER ACCOUNTS THAT AFFECT THE ALLOCATION.
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> ASSEMBLYMAN KIRNER SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)
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> BUDGET CLOSED.

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ELECTED OFFICIALS
GOVERNOR'S MANSION MAINTENANCE (101-1001)
EXECUTIVE BUDGET PAGE ELECTED-6

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), announced the next budget account was 101-1001, the Governor's Mansion Maintenance account. The Office of the Governor submitted a work program during the current interim as a result of the 26th Special Session (2010) to eliminate the position of assistant to the First Lady, which was done to achieve budget reduction targets that were established during the special session. Later, a 0.65 full-time equivalent (FTE) was added back to the mansion staff which was implemented pursuant to the Governor's authority to determine the salaries of staff within his Office and within the limits of money available for that purpose. The actions of Governor Gibbons during the current biennium resulted in a total of 3.16 FTE for the Mansion Maintenance account. The Executive Budget further reduced staffing in the upcoming biennium to 2.64 FTE. Mr. Combs said that reduction was made in the base budget.

The Budget Division had indicated that the following adjustments were necessary to bring the mansion expenditure levels for the upcoming biennium back to normal levels after a period of reduced expenditures during the last half of Governor Gibbons' term in office.

The first adjustment was for expenditures for food. The food expenditures were increased in the adjusted base budget by $5,628 in the first year of the biennium (fiscal year (FY) 2011012) and by $60,929 in the second year of the biennium (FY 2012-13). According to the Budget Division, this was done to equate to the average of the legislatively approved amounts for the past three biennia. Mr. Combs related that food costs were typically higher when the Legislature was in session. The amounts in the budget were somewhat higher than had actually been expended in previous biennia, and this was done by the Budget Division to bring the level up to the average of the amounts for the past three biennia in the legislatively approved budget.

Mr. Combs pointed out the Host Fund expenditures were very similar, although they were lesser amounts. The same goal was to equate to the average of the legislatively approved amounts for the past three biennia, and that amount was increased by $6,586 in first year of the biennium and by $11,684 in the second year of the biennium.

Decision unit Enhancement (E) 500 and E 900 recommended the transfers for the monthly trash service for the Governor's Mansion from the Buildings and

Grounds account to budget account (BA) 1001. Mr. Combs said once decision units E600 and E900 were transferred to BA 1001, it was then recommended those decision units be funded entirely with General Fund as the rest of the account was funded. He said this recommendation would treat the trash services expenses the same as all other utility costs were treated for the Governor's Mansion.

> ASSEMBLYMAN KIRNER MOVED TO CLOSE BUDGET ACCOUNT 1001, GOVERNOR'S MANSION MAINTENANCE, AS RECOMMENDED BY THE GOVERNOR. STAFF WAS FURTHER GIVEN AUTHORITY TO ADJUST THE DEPARTMENT OF ADMINISTRATION COST ALLOCATION AMOUNTS BASED ON FINAL CLOSING ADJUSTMENTS IN OTHER ACCOUNTS THAT AFFECT THE ALLOCATION.
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> ASSEMBLYMAN CONKLIN SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)
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> BUDGET CLOSED.

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ELECTED OFFICIALS
GOVERNOR'S WASHINGTON OFFICE (101-1011)
EXECUTIVE BUDGET PAGE ELECTED-10

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), referred to budget account (BA) 1011, the Governor's Washington Office.

Mr. Combs related to the Committee that from 2004 through 2009, the budget for the Washington Office was approved in the amount of approximately $267,000 annually. The expenditures were funded through transfers from the Commission on Economic Development, the Commission on Tourism, and the Department of Transportation (NDOT). For the 2009-2011 biennium, the Legislature approved the Governor's recommendation to reduce funding for the office by $20,000 in each fiscal year. Mr. Combs said that reduction brought the annual expenses for the Office in the current biennium to approximately $247,000. For the upcoming biennium, The Executive Budget maintained the level of funding for the Office at $247,079 per year. The Commission on Economic Development was a General Fund source of revenue that funded BA 1011, the Washington Office, in the amount of $18,503 each year.

The Commission on Tourism, funded with room taxes, supported the Washington Office in the amount of $101,439 each year. The Department of Transportation (NDOT) contributed Highway Funds to the Washington Office in the amount of $127,137 each year.

According to Mr. Combs, the current contractor indicated that funding would be sufficient for two full-time employees in the upcoming biennium, but the paid internship used in previous years would end because of a lack of available funding.

Mr. Combs said the current contract with District Strategies, LLC would end on June 30, 2011.

Chairwoman Smith wondered whether the contract required a request for proposal (RFP).

Mr. Combs said he could not recall an RFP for the office recently; he would have to ask the Budget Division what its plans were for the upcoming biennium.

Stephanie Day, Deputy Director, Budget Division, said she would have to talk to the Governor's Office regarding an RFP, because it was a contract that the Governor's Office handled. She agreed to inform Fiscal staff about her findings.

Assemblyman Hardy asked why the Department of Transportation (NDOT) funded the Washington Office with Highway Funds.

Mr. Combs said the argument that had been made in the past was that much of the work of the Washington Office was lobbying, or tracking issues that pertained to the federal government, in particular, funding for highway projects that Nevada wanted to be involved in.

Chairwoman Smith wondered what happened with the contract when actual costs were less than estimates, and if that money was refunded to Nevada when the entire contract was not used.

Mr. Combs explained that because it was a contract, it usually went in a lump sum to the contractor. The contractor presented a budget of planned expenditures under the contract. Mr. Combs referred to Exhibit C, "State of Nevada, Washington Office, Vendor/Contractor: District Strategies, LLC," which provided a line-item list of estimated expenditures. Mr. Combs believed the money would go to the contractor as part of the contract, and there would probably not be a reversion unless something unusual happened in the contract, and the contractor elected to return money to the state.

ASSEMBLYMAN KIRNER MOVED TO CLOSE BUDGET ACCOUNT 1011, THE GOVERNOR'S WASHINGTON OFFICE, AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)

BUDGET CLOSED.

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ELECTED OFFICIALS
STATE FISCAL STABILIZATION ACCOUNT (101-1007)
EXECUTIVE BUDGET PAGE ELECTED-12

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided an overview of the State Fiscal Stabilization Account, budget account (BA) 1007.

Budget account 1007 was created by the 2009 Legislature to account for Nevada's allocation of fiscal stabilization funds under the American Recovery and Reinvestment Act of 2009 (ARRA). At that time, the fund consisted of the Education Stabilization Fund and the Government Services Fund. Of the approximately $396.6 million State Fiscal Stabilization Funds that were allocated to Nevada, $324.4 million was designated as stabilization funding for kindergarten through secondary education and higher education, while $72.2 million was designated for the Government Services Fund. In 2009, the Legislature used $72.2 million for government services to offset General Fund need in the Department of Corrections account during the current biennium. During fiscal year (FY) 2011, the Interim Finance Committee (IFC) approved work programs for this account to accept $83.1 million in Ed Jobs Funds that were allocated to the Department of Education. The Ed Jobs Fund award consisted of $10 billion nationwide to help states in hiring, rehiring, and retaining K-12 education jobs during the 2010-11 school year.

Mr. Combs explained that The Executive Budget did not include any revenue or expenditures for this account during the upcoming biennium because the State Fiscal Stabilization Funds from ARRA had been allocated and expended, and the Budget Division anticipated that all of the Ed Jobs Funds would be allocated by the Department of Education during the current fiscal year. The Ed Jobs Funds were available to the school districts and as of

April 1, 2011, only $18.5 million of the $83.1 million in Ed Jobs Funds had been drawn down. As a result of discussions with the school districts, the Department of Education had indicated approximately $37.7 million of those Ed Jobs Funds would not be drawn down until fiscal year (FY) 2012. Mr. Combs said based on this information, an appropriate technical adjustment would place $37.7 million of revenue and expenditure authority for the federal Ed Jobs Funds in FY 2012. Mr. Combs said that action could eliminate the need for the agency to come before the Interim Finance Committee (IFC) for a work program to book those funds in FY 2012.

Mr. Combs explained that after the education accounts closed, there might be a further update from the Department of Education regarding available funds in FY 2012. If that update changed, Mr. Combs requested authority to make changes in budget account (BA) 1007 to ensure the two amounts matched.

Assemblyman Kirner referred to the $37.7 million of Ed Jobs Funds and asked whether that money would be used to enhance the education budget, or had the money already been considered in the budget proposal.

Mr. Combs said the funds were considered "one-time-only" funds. The funds had been used in the current school year for various things, such as hiring additional teachers and other classroom-type expenditures. Because the school districts had not spent the funds at the expected level in the current fiscal year, it led to questions about plans to use that money in the first year of the next biennium. The school districts indicated they were planning to use the money in the first year of the next biennium, and rather than those one-time expenditures only occurring in one year, they were going to occur in two years.

Assemblyman Kirner said he understood that, but he wondered whether this was in addition to the Governor's recommendation for education.

Mr. Combs replied that the funds would be considered local funds for education that would have to be spent in FY 2012. Further, it was Mr. Combs understanding that, just like the funds were not reflected in the legislatively approved budget for this fiscal year, they were not reflected in the Governor's recommendation for FY 2012.

> ASSEMBLYMAN CONKLIN MOVED TO CLOSE BUDGET ACCOUNT 1007, STATE FISCAL STABILIZATION ACCOUNT, AS RECOMMENDED BY STAFF WITH TECHNICAL ADJUSTMENTS. FURTHER, STAFF WAS GIVEN AUTHORITY TO ADJUST THE ED JOBS REVENUE AND EXPENDITURE AUTHORITY TO MATCH THE AUTHORITY APPROVED FOR SUCH FUNDS IN THE

DEPARTMENT OF EDUCATION'S DISCRETIONARY GRANTS—RESTRICTED ACCOUNT (BA 2709) IF THE DEPARTMENT HAD UPDATED PROJECTIONS AT THE TIME THAT ACCOUNT WAS CLOSED.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)

BUDGET CLOSED.

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ELECTED OFFICIALS
LIEUTENANT GOVERNOR (101-1020)
EXECUTIVE BUDGET PAGE ELECTED-50

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), presented an overview of budget account (BA) 1020, the Office of the Lieutenant Governor. The Governor's recommended budget reduced staffing in the Lieutenant Governor's Office by deleting a vacant executive assistant position and reducing a vacant administrative secretary position from full-time to a 0.40 full-time equivalent (FTE) position. The two staffing changes were reflected in decision unit Maintenance (M) 160 and decision unit Enhancement (E) 606 in the budget.

The executive assistant position that was recommended for elimination had been vacant since November 2010. The administrative secretary position recommended to be reduced was left vacant for all of the current biennium to achieve the budget reduction targets that were set for the Office during the 26th Special Session (2010).

Mr. Combs said E710 recommended General Funds totaling $360 over the 2011-2013 biennium for the replacement of printers and antivirus software updates.

Mr. Combs said he wanted to bring the Committee's attention to the fact that the Lieutenant Governor indicated he was concerned with the level of out-of-state travel funding included for his Office in The Executive Budget. The Governor's budget recommended out-of-state travel funds totaling $4,200 in each year of the upcoming biennium, which was the amount that was actually expended from this account for out-of-state travel in fiscal year

(FY) 2010. Average expenditures for out-of-state travel over the past four completed fiscal years was approximately $5,000 per year.

> ASSEMBLYMAN CONKLIN MOVED TO CLOSE BUDGET ACCOUNT 1020, LIEUTENANT GOVERNOR, AS RECOMMENDED BY THE GOVERNOR.
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> ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)
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> BUDGET CLOSED.

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ELECTED OFFICIALS
COMMISSION ON ETHICS (101-1343)
EXECUTIVE BUDGET PAGE ELECTED-199

Erica Eng, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), presented an overview of budget account (BA) 1343, Commission on Ethics.

Ms. Eng informed the Committee there were three major closing issues for the Committee to decide.

The first issue pertained to the funding of the account. Both the state and local governments funded the Ethics Commission based upon the number of Requests for Opinions (RFO) submitted per entity. The 2009 Legislature approved a change in state and county funding to 35 percent state support and 65 percent local government support based on the actual use of the Commission's services in fiscal year (FY) 2007 and FY 2008. The Governor recommended that the state and county funding split, based on the actual use of the Commission's services in FY 2009 and FY 2010, be changed during the 2011-2013 biennium to 26 percent state support and 74 percent local government support.

Staff recommended the Committee approve the state and county funding split at 26 percent state support and 74 percent local government support.

ASSEMBLYMAN CONKLIN MOVED TO APPROVE THE STATE AND COUNTY FUNDING ALLOCATION CHANGE IN BUDGET ACCOUNT 1343, COMMISSION ON ETHICS, AS RECOMMENDED BY THE GOVERNOR AT 26 PERCENT STATE SUPPORT AND 74 PERCENT LOCAL GOVERNMENT SUPPORT.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)

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Ms. Eng said the second closing issue was a position reclassification budget amendment. Budget Amendment 192 proposed to reclassify the vacant classified legal research assistant 2 position to an unclassified senior legal researcher. The reclassification would result in total reductions of $15,215 in fiscal year (FY) 2012 and $14,979 in FY 2013, which included General Fund reductions of approximately $4,000 per fiscal year. To support the change, the agency indicated the other four positions within the Commission on Ethics were unclassified and the classification of only one position created two sets of human resource-related rules and standards regarding step and grade increases, supervision, and hiring and termination policies.

Assemblywoman Carlton said she had concerns about moving an employee from the classified service to the unclassified service because it was definitely two different structures. She asked whether a senior legal researcher would be involved in ethics complaints.

Ms. Eng stated that was correct, and the position would no longer be a legal research assistant 2, but an unclassified senior legal researcher position.

Assemblywoman Carlton asked whether she was correct in thinking an unclassified employee was a “fire-at-will” employee.

Ms. Eng said that was correct, and the Ethics Commission had requested the change during its budget hearing. The Commission had also mentioned that most state boards and commissions were staffed entirely by unclassified employees who served at will.

Assemblywoman Carlton said she had concerns a legal position would be involved in legal proceedings in a fire-at-will position, which gave her some pause as far as what the influence might be over that person.

Chairwoman Smith asked whether the other positions working for the Ethics Commission were unclassified.

Ms. Eng replied that was correct, including the Executive Director.

> ASSEMBLYMAN CONKLIN MOVED TO APPROVE THE POSITION RECLASSIFICATION BUDGET AMENDMENT 192 IN BUDGET ACCOUNT 1343 AS RECOMMENDED BY THE GOVERNOR.
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> ASSEMBLYMAN KIRNER SECONDED THE MOTION.
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> THE MOTION CARRIED WITH ASSEMBLYWOMAN CARLTON VOTING NO. (Assemblymen Hambrick and Oceguera were not present for the vote.)

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Ms. Eng explained the third closing issue was that the agency had requested two additional positions, one senior investigator and one deputy commission counsel. The positions were not included in the agency's request to the Governor, or in The Executive Budget, and no formal budget amendment had been submitted. According to the agency's calculations the total cost of the two positions would be $161,028 in FY 2012 and $204,970 in FY 2013, which included General Fund appropriations of $41,867 in FY 2012 and $53,292 in FY 2013 for an October 1, 2011, start date. The agency indicated two new positions were needed based on a projected increase in caseload. The agency anticipated it would receive 138 Requests for Opinions (RFOs) in FY 2011 based on the first six months of 2011, which was a 34 percent increase from FY 2010. Ms. Eng noted that the agency received 95 RFOs in FY 2009 and 103 RFOs in FY 2010, which was an 8 percent increase from 2009 to 2010. According to the agency, the higher use of the Commission's services was expected to continue because of an increase in outreach and training programs conducted by Commission employees.

Chairwoman Smith commented that while she understood the need in many of these budgets, she could not imagine there was going to be an appetite for adding positions.

Assemblyman Grady said he understood the Commission had not submitted a formal request.

Ms. Eng said the Commission had submitted calculations, but the Budget Division had not submitted a budget amendment.

Assemblywoman Mastroluca remarked that with unproven caseload growth she could not support adding additional positions for the Ethics Commission.

Assemblyman Goicoechea asked whether Fiscal staff had approached the counties to ensure they were aware they were going to be charged another $300,000 to support the Ethics Commission.

Mr. Combs replied that it would be the responsibility of the Ethics Commission to inform the counties.

Chairwoman Smith suggested the Committee move on to the next closing item.

Ms. Eng said the other closing item was replacement equipment of $5,516 in FY 2012, and $48 in FY 2013, and the Governor's proposal to add the Ethics Commission to the Centralized Personnel Services cost allocation. These recommendations appeared reasonable to staff.

> ASSEMBLYMAN CONKLIN MOVED TO APPROVE REPLACEMENT EQUIPMENT (E710) AND THE NEW CENTRALIZED PERSONNEL COST ALLOCATION (BASE AND E800) IN BUDGET ACCOUNT 1343 AS RECOMMENDED BY THE GOVERNOR WITH AUTHORITY FOR STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.
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> ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblymen Hambrick and Oceguera were not present for the vote.)

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Chairwoman Smith requested an update on the expenses from the Ethics Commission for the Supreme Court case.

Ms. Eng explained that it had been decided between Fiscal staff and the Budget Division that they could work within the existing authority for fiscal year (FY) 2011, and the Budget Division had submitted a work program.

Chairwoman Smith closed the hearing on budget account (BA) 1343 and opened the hearing on A.B. 556.

Assembly Bill 556: Changes the fund into which certain subsidies paid for coverage under the Public Employees' Benefits Program are deposited. (BDR 23-1186)

James R. Wells, Executive Officer, Public Employees Benefits Program (PEBP), testified in support of A.B. 556 and read the following statement into the record:

> Assembly Bill 556 is a technical change to properly account for PEBP funds versus state funds for the active employee health insurance subsidy. It moves the Active Employees Group Insurance Subsidy budget account (BA) 1390 from the Self Insurance Trust Fund to the Agency Fund for the Payroll of the State and allows that budget to earn interest.
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> The Active Employee Group Insurance Subsidy or AEGIS assessment is an estimated average of the cost of subsidized health insurance for all state active employees and their dependents for each fiscal year and is set each biennium in session law.
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> Prior to FY (fiscal year) 2004, the per employee, per month assessment was transferred directly to PEBP's operational budget account and covered 100 percent of the employee-only premium. Participants who covered dependents paid the entire cost of the premium for covering those dependents. Beginning in July 2003, the Board elected to require single employee participants to pay a monthly contribution and provided subsidies for dependents. The AEGIS account was created by the Legislature in 2005 to provide PEBP with a more accurate way to track the surpluses and deficits attributable to the per-employee, per-month assessment. Funds are transferred from each state agency budget account that contains personnel costs to the AEGIS account in fixed dollar amounts per employee, per month. Money flows out of the AEGIS account and into the PEBP operating account based on the plan and tier in which the employee had selected coverage. Amounts in the AEGIS account belong to the agencies that deposited those funds into that account, not to PEBP. It only becomes revenue to the Public Employees' Benefits Program after it is transferred to the operating account.

When it was created in 2005, the AEGIS account was placed in the Self-Insurance Trust Fund (SITF). The financial audit of PEBP, required pursuant to *Nevada Revised Statutes* (NRS) 287.043 [subsection 2, paragraph (i)], is an audit of the entire Self-Insurance Trust Fund, including the AEGIS account, despite the fact that the funds in the AEGIS account do not belong to PEBP. This results in deficits in the AEGIS account being recorded in the Self-Insurance Trust Fund financial statements as receivables and any surpluses being recorded as unearned revenue. While PEBP staff believes that this is the most accurate picture of the operating fund, the Controller's Office has expressed concern over this method of recording deficits and surpluses and PEBP's financial statement auditor, while allowing this method of accounting for revenue, has provided in management letters to the PEBP Board that the Board consider revising this practice.

Assembly Bill 556 corrects the accounting of revenues in the Self-Insurance Trust Fund and recognizes that the funds in the AEGIS account do not belong to the Self-Insurance Trust Fund or to PEBP; they are in fact funds of the agency that deposited those funds until they are earned and transferred from the agency's account into the PEBP operating account.

[The] PEBP staff will continue to manage and account for all of the funds in the AEGIS account and will provide the Controller's Office the necessary year-end entries for financial reporting purposes, and PEBP staff will also prepare the biennial budget for this account and the estimate of the per-employee, per-month assessment.

Section 2 of A.B. 556 officially creates the AEGIS account in the Agency Fund for the Payroll of the State, better known as the Payroll Clearing Fund. That fund is used to collect payroll expenditures from all agency budgets and disperses those funds to places like the Internal Revenue Service and other consolidated vendor payments. Section 2 also provides the interest be credited to the agency's account. Any investment earnings would decrease the need for additional funds in future biennia.

Section 1 of A.B. 556 provides the legal authority to deposit the funds in the AEGIS account since it would no longer reside in the Self-Insurance Trust Fund.

Assemblywoman Carlton asked whether A.B. 556 was an accounting measure to place monies in the correct accounts before paying benefits.

Mr. Wells acknowledged the bill was purely an accounting correction.

In response to a question from Assemblywoman Carlton, Mr. Wells said he had met with the Office of the State Controller and the Department of Personnel, which oversees the vast majority of the activity in the Agency Fund for the Payroll of the State, and both agreed to the change.

Assemblywoman Carlton asked whether there would be an administration fee charged against the account.

Mr. Wells replied there would be no assessment of any kind to the fund.

Chairwoman Smith closed the hearing on A.B. 556 and opened the hearing on A.B. 523.

Assembly Bill 523: Revises provisions relating to the coverage of dependents under the health care plans of the State and local governments. (BDR 23-1188)

James R. Wells, Executive Officer, Public Employees' Benefits Program (PEBP), testified in support of A.B. 523, which was in response to federal health care reform. Federal health care reform required coverage of children up to the age of 26, regardless of their marital status, whether they were employed, or whether they lived at home. Mr. Wells said most of the eligibility information was not in statute. Section 1 and section 2 of A.B. 523 specifically related to dependents, spouses, and children of police or firemen who were killed in the line of duty. Mr. Wells said it was written into the original laws that eligible dependents be covered up to the age of 18 or to the age of 23, if they were enrolled as a full-time student.

Section 1 of the bill amended *Nevada Revised Statutes* (NRS) 287.021 to include eligible dependents up to age 26 and dealt with local government plans. Mr. Wells said there was a provision in healthcare reform that if your health insurance plan was grandfathered, it was not required to enact coverage up to age 26 until 2014. In 2014, plans would be required to cover dependents up to 26 years of age even if the plan was grandfathered.

Mr. Wells referred to section 1, subsection 3, of A.B. 523, where it read "Except as otherwise provided in the federal Patient Protection and Affordable

Care Act." He said that would allow at least one organization he was aware of with a grandfathered plan to not cover children up to the age of 26 until 2014.

Section 1, subsection 2 of the bill amended the PEBP portion of the statutes that dealt with this same issue, which was a police officer or fireman killed in the line of duty. The PEBP plan would not be a grandfathered plan. Mr. Wells said subsection 4 [of section 2] changed the date to "the last day of the month in which the child reaches the age of 26 years."

Assemblyman Goicoechea requested clarification that it did not matter what plan a local jurisdiction had in place, it would be required to maintain that dependent until they were age 26.

Mr. Wells said Assemblyman Goicoechea was correct: it did not matter whether it was a local plan or the PEBP plan, it was required to cover children up to age 26 unless measures had been taken to establish the plan as a grandfathered plan. There were a series of criteria that had to be met, and a series of notices that had to be provided to the membership if it was a grandfathered plan. Mr. Wells explained there were certain provisions of the healthcare reform law that phased-in at later dates and this was one of them.

In response to a question from Assemblyman Goicoechea, Mr. Wells said that after 2014, dependents had to be covered up to age 26, regardless of the plan.

Assemblyman Grady asked whether a dependent up to 26 years old could be on their own, even married, and still be covered under their parents' plan.

Mr. Wells replied that was correct, even if your child was 25 years old, married, and lived somewhere else, they could be covered on your plan under the healthcare reform law.

Assemblywoman Carlton pointed out it was an optional provision, not a mandatory one. It was an option for a parent who thought a child might still need the coverage up to the age of 26 years.

Assemblyman Goicoechea asked what federal law required as the maximum age for dependent coverage for a child.

Mr. Wells replied that under federal healthcare reform, on July 1, 2011, the PEBP would be required to offer coverage up to the age of 26 years.

Mr. Wells explained that for PEBP the plan would go into effect July 1, 2011. Healthcare reform said the provision had to be offered on plan years that started on or after six months from the date the healthcare reform law was signed. Six months after the healthcare law was signed was in September 2010. The PEBP would offer coverage up to the age of 26 years effective July 1, 2011.

Assemblywoman Carlton asked whether there would be a rate disparity for those dependents or whether it would be within the same framework paid for all dependents.

Mr. Wells said rates were calculated for the plan year that starts July 1, 2011, and actuaries included what the additional costs would be for the additional dependents up to age 26 and covered those in either children or family tiers.

Chairwoman Smith closed the hearing on A.B. 523 and opened the hearing on A.B. 496.

Assembly Bill 496: Makes a supplemental appropriation to the Budget and Planning Division of the Department of Administration for increased costs of the single audit. (BDR S-1176)

Stephanie Day, Deputy Director, Budget Division, Department of Administration, testified in support of A.B. 496, a request for a supplemental appropriation to the Budget Division to cover the single audit. Ms. Day explained that each biennium the Budget Division requested an estimate from the Legislative Counsel Bureau (LCB) Audit Division for the cost of the single audit that was included in the budget. She said the amount that was budgeted did not cover the actual cost of the audit. The amount budgeted for the audit was $221,322, but actual expenditures were $265,986, for the difference of $44,664 that the Budget Division was requesting in the supplemental appropriation.

Ms. Day said the Budget Division had requested an estimate from LCB Audit for The Executive Budget, and the amounts that were placed in the biennial budget were the estimates received from LCB Audit.

Chairwoman Smith asked whether the figures had been increased to reflect the situation.

Ms. Day said, no, the actual expenditures for the audit had been received after the budget had been built.

Chairwoman Smith remarked that she was still confused about how the audit was paid for.

Ms. Day explained that in the statute regarding the single audit, the costs were split between the LCB Audit Division and the Budget Division. The contract was handled through LCB, and it invoiced the Budget Division for costs of the audit.

Chairwoman Smith wondered if the money was not in the budget, where it came from.

Ms. Day explained the supplemental request was submitted as a budget bill because the invoice from LCB was received after The Executive Budget was submitted.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), said the supplemental appropriation was not in the Governor's budget, so the Committee decision was whether to fund the supplemental in A.B. 496, which may have been included in a recent budget amendment.

Ms. Day advised that the Budget Division submitted this request as a bill and not a budget amendment because it affected fiscal year 2010-11 and not the 2011-2013 biennium.

In response to Chairwoman Smith's question on where the money to fund the request would come from, Ms. Day said there was sufficient General Fund available and that she would provide additional information to the Committee.

Assembly Bill 478: Revises the limitation on the principal amount of bonds and other securities that may be issued by the Board of Regents of the University of Nevada to finance certain projects. (BDR S-887)

Mark Stevens, Vice Chancellor, Finance, Nevada System of Higher Education (NSHE), appeared before the Committee to testify in support of A.B. 478. Mr. Stevens was accompanied by Ron Zurek, Vice President of Administration and Finance for the University of Nevada, Reno.

Mr. Stevens said as reflected in section 1, A.B. 478 amended previous bills passed by the Legislature, one in 2009 and one in 1991. Those bills provided the Board of Regents with authority to issue revenue bonds for sale within the Nevada System of Higher Education. The system typically requested a bill, which was reviewed by the Legislature each time the bonding authority needed to be adjusted.

Mr. Stevens explained that A.B. 478 requested that the bonding authority for the University of Nevada, Reno, be increased by $35.735 million from its current authority. The University of Nevada, Reno, was the only institution that was requesting the bonding authority be increased during the 2011 Legislative Session.

Mr. Stevens provided Exhibit D, a schedule that outlined the projects that would be included in the additional bond authority. The financing included $12 million for the Getchell Library renovation, $20.3 million for the School of Medicine building acquisition/renovation, $23 million for the Lombardi Recreation Center addition phase 1, and $7.5 million for any potential bond refunding possibilities for interest savings going forward.

According to Mr. Stevens, the request for the bill draft was developed internally some time ago, and the estimated amounts needed for individual projects had been modified to the ones just stated. The updated request, as reflected in Exhibit D, outlined the need for additional bond authority of $35.665 million or $70,000 less than the amount included in the bill. Mr. Stevens said the amended amount would increase the total authority to $348.36 million.

Assemblyman Aizley asked how the bonds were repaid.

Ron Zurek, Vice President of Administration and Finance for the University of Nevada, Reno, stated that each project had to be examined on a case-by-case basis to discover the source of repayment. He explained the Getchell Library renovations and the Lombardi Recreation Center would be repaid from student fees, which were a part of the per credit hour charge that students paid. Referring to the School of Medicine building in southern Nevada, Mr. Zurek said at the present time the school was leasing and renting space in southern Nevada, and the plan was that those rental payments would be turned into bond payments to acquire a building and build equity. He noted those were existing payment streams that were going to be used in a different way. The potential for bond refunding was a straight financial transaction if interest rates ever reached a point where refunding made sense, and Mr. Zurek said NSHE was requesting authorization to do that.

Chairwoman Smith requested public testimony.

Jim Richardson, Nevada Faculty Alliance, testified in support of A.B. 478. Mr. Richardson said he wanted to register support for the bill, as he had done every session.

Chairwoman Smith closed the hearing on A.B. 478.

Chairwoman Smith asked the Committee to consider introduction of the following bill draft request:

BDR S-1276—Temporarily delays the statutory deadline for notifying certain school employees of reemployment status. (Later introduced as Assembly Bill 565.)

ASSEMBLYMAN CONKLIN MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1276.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION PASSED. (Assemblymen Hambrick and Oceguera were not present for the vote.)

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Chairwoman Smith adjourned the meeting at 9:28 a.m.

RESPECTFULLY SUBMITTED:

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Anne Bowen
Committee Secretary

APPROVED BY:

Debbie Smith
____
Assemblywoman Debbie Smith, Chairwoman

DATE: ____________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: April 6, 2011 **Time of Meeting: 8:04 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest sign-in sheet
	C	Rick Combs, Assembly Fiscal Analyst, Fiscal Division, LCB	State of Nevada, Washington Office Estimated Expenditures
A.B. 478	D	Mark Stevens, Vice Chancellor, Finance, NSHE	University of Nevada, Reno, Additional Bonding Authorization Request for 2011-13