

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

**Seventy-sixth Session
May 2, 2011**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Steven A. Horsford at 8:12 a.m. on Monday, May 2, 2011, in Room 1214 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4412E, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Steven A. Horsford, Chair
Senator Sheila Leslie, Vice Chair
Senator David R. Parks
Senator Moises (Mo) Denis
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

ASSEMBLY COMMITTEE MEMBERS PRESENT:

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

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 2

COMMITTEE MEMBERS ABSENT:

Assemblyman John Ocegura (Excused)

STAFF MEMBERS PRESENT:

Jennifer Byers, Program Analyst
Michael J. Chapman, Principal Deputy Fiscal Analyst
Rick Combs, Assembly Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Wade Beavers, Committee Secretary

OTHERS PRESENT:

Ana Andrews, Deputy Administrator, Risk Management Division, Department of
Administration
Keith Wells, Administrator, State Motor Pool, Department of Administration

CHAIR HORSFORD:

We will open the hearing on budget closings for accounts in the Department of
Administration (DOA).

JENNIFER BYERS (Program Analyst, Fiscal Analysis Division, Legislative Counsel
Bureau):

Today we will be discussing the closure of several accounts within DOA. An
overview of these accounts has been provided in the closing list ([Exhibit C](#)).

The first account, as listed on page 1 of [Exhibit C](#), is Administration – Budget
and Planning, budget account (B/A) 101-1340.

FINANCE AND ADMINISTRATION

ADMINISTRATION

Administration – Budget and Planning — Budget Page ADMIN-1 (Volume I)
Budget Account 101-1340

In this account, there are two major closing issues. The first is concerning DOA's reorganization and consolidation plan. I will describe all decision units in this account that are related to that reorganization.

As part of the Governor's statewide initiative to centralize and streamline certain services, the *Executive Budget* recommends the reorganization and consolidation of several State agencies. According to testimony provided by the Director of DOA during the Department's budget overview hearing on February 9, 2011, the reorganization and consolidation of the Department of Personnel, the Department of Information Technology (DoIT), Nevada State Libraries and Archives, the State Public Works Board, and DOA would create almost \$1.9 million in cost savings over the biennium, of which \$471,000 would come from the General Fund.

Decision unit E-225 proposes a new deputy director position.

E-225 Reduce Duplication of Effort — Page ADMIN-3

This position is recommended in order to provide oversight to the various divisions in the Department. It would come to a total cost of \$244,116 in General Fund money for the 2011-2013 biennium. This position would oversee the Motor Pool Division, the Insurance and Loss Prevention Division, the Human Resource Management Division, the Enterprise Information Technology (IT) Services Division, the Administrative Services Division, the Hearings and Appeals Division, the Internal Audits Division, the Purchasing Division, the State Public Works Division and the State Library and Archives Division.

The next related decision unit is E-900.

E-900 Trans From IT Div (1320) to Budget & Plan (1340) — Page ADMIN-7

General Fund expenditures of \$686,209 are recommended to be transferred from the DOA's Administration-IT account, B/A 101-1320, into this account during the 2011-2013 biennium.

Administration – Information Technology Division — Budget Page ADMIN-25 (Volume I)

Budget Account 101-1320

This figure includes costs associated with the administration of the Nevada Executive Budget System by the Budget Division. It also includes the transfer of contract support, DoIT programming support, database administration support associated with the Division's other functional areas, including the Open Government Initiative, Nevada Project Accounting System and the Integrated Financial System. The Administration-IT account is recommended to be eliminated during the 2011-2013 biennium.

The next decision unit related to the reorganization and consolidation is E-903.

E-903 Transfer from HRM (1363) to Budget (1340) — Page ADMIN-8

This unit recommends the transfer of a public information officer (PIO) position from the Department of Personnel to act as the department-wide PIO. Decision unit E-500 is associated with this item.

E-500 Revenue Adjustment Related to E-903 — Page ADMIN-4

This would change the funding source from personnel payroll assessments to the General Fund.

The next related decision units are E-806 and E-904.

E-806 Unclassified Position Salary Increases — Page ADMIN-7

E-904 Trans from CIO (1373) to Budget & Planning (1340) — Page ADMIN-8

An IT professional position is recommended to be transferred into the Budget and Planning Division from the Administration-IT Office of the Chief Information Officer (CIO) account, which is currently the DoIT Director's Office, B/A 101-1373.

Administration – IT – Office of CIO — Budget Page ADMIN-111 (Volume I)
Budget Account 721-1373

This would be effective on October 1, 2011.

Decision unit E-501 is associated with this action.

E-501 Revenue Adjustment Related to E-904 — Page ADMIN-4

This unit would change the funding source for the 2011-2013 biennium from cost allocation reimbursement in the DoIT account to the General Fund in the Budget and Planning Division.

In addition, this position is recommended to be reclassified in decision unit E-806 as an unclassified chief planning, research and grants management position.

E-806 Unclassified Position Salary Increases — Page ADMIN-7

This position would also provide oversight to the proposed new Grants Management Unit recommended in decision unit E-250 which will be discussed with the second major closing item for this account.

E-250 Economic Working Environment — Page ADMIN-3

Also related to the reorganization and consolidation is decision unit E-907.

E-907 Trans from Budget & Plan (1340) to HRM (1363) — Page ADMIN-9

This would transfer three personnel positions from the Division of Budget and Planning to the new Human Resource Management account, B/A 717-1363, formerly the Department of Personnel.

Administration – HRM – Human Resource Management — Budget Page
ADMIN-171 (Volume I)
Budget Account 717-1363

This new section is being created to perform personnel payroll services for all State agencies within the Human Resource Management Division.

The new centralized personnel section will be funded by participating agencies through a full time equivalent-driven cost allocation.

The Department of Administration is included in the first phase of this centralization starting in fiscal year (FY) 2011-2012.

Decision units E-805 and E-908 transfer a business process analyst from this account to the Administrative-IT Application Support account, B/A 721-1365.

E-805 Classified Position Reclassifications — Page ADMIN-7

E-908 Trans from Budget & Planning (1340) to EAS (1365) — Page ADMIN-9

Administration – IT – Application Support — Budget Page ADMIN-121
(Volume I)
Budget Account 721-1365

The Governor recommends funding this position with infrastructure assessment revenue in lieu of General Fund revenue, providing General Fund savings of \$166,004 over the 2011-2013 biennium. Once transferred to the Application Support account, the Agency indicates that this position would be assigned to the new Enterprise Business Analysis Unit.

Decision unit E-805 combines one-half of a full-time chief assistant, planning position and a half-time management analyst position into one full-time position and then reclassifies it to a business process analyst, resulting in General Fund savings of \$7,486 over the biennium.

Although the Governor recommends transferring the reclassified position to the new Enterprise Business Analysis Unit, the incumbent in the position will remain at the Budget and Planning Division under the Director's supervision to perform duties required by the Budget Division; however, during down times, this position would provide services under the new Enterprise Business Analysis Unit.

The final decision unit associated with the reorganization and consolidation is E-912.

E-912 Trans from Budget & Planning (1340) — Page ADMIN-10

The Governor recommends transferring one IT position in this account to DOA's new IT Office of the CIO account, B/A 721-1373, within the Enterprise IT Services Division. This recommendation reduces cost allocation revenue in this account by \$169,905 over the biennium.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 7

During the April 5, 2011 Work Session, the Joint Subcommittee on General Government expressed support for the multiagency reorganization, noting that the recommendations appear logical, improve services to State agencies, increase operational efficiencies and generate cost savings. The Senate Committee on Finance and the Assembly Committee on Ways and Means have closed the budgets of the Department of Personnel, DoIT, and the DOA IT Division to reflect the recommended reorganization and consolidation.

Do the Committees wish to approve the recommended reorganization and consolidation of DOA, along with the associated decision units in B/A 101-1340?

CHAIR HORSFORD:

The new deputy director position will primarily oversee the Motor Pool Division, the Insurance and Loss Prevention Division, the Human Resources Management Division, the Enterprise IT Services Division, the Administrative Services Division, the Hearings and Appeals Division, the Internal Audits Division, the Purchasing Division, the State Public Works Division and the State Library and Archives Division.

MS. BYERS:

That is correct.

CHAIR HORSFORD:

Regarding the tasks you described, are they not included within the current administrative functions of that position?

MS. BYERS:

The divisions that would be included under this new position's oversight would be the Human Resource Management Division, the Enterprise IT Services Division, the State Library and Archives Division and the State Public Works Board. The other divisions are currently under the supervision of the Director of DOA.

CHAIR HORSFORD:

Testifiers have discussed the need for a PIO to deal with personnel. Please describe the need for that function again. If we are coordinating some of the personnel functions, why do we need a specific PIO within that area?

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 8

MS. BYERS:

This would be a department-wide PIO. The position is currently devoted solely to the Personnel Division. Instead of just serving that one agency, it would now be the PIO for all the agencies within the Department.

CHAIR HORSFORD:

I understand.

Please describe the functions that would be centralized through the transfer of the three positions to the Human Resource Management Division. With the Department of Education, I know we held one of those positions separately until we could establish policy. What departments are being centralized through this recommendation?

MS. BYERS:

All of the Divisions within DOA will be included. The positions will perform both personnel and payroll functions. They will process payroll, evaluations, hiring packages and forms that are required to process changes for employees.

The Department of Business and Industry is part of this first phase of bringing in all agencies under a new centralized personnel payroll system. The Department of Agriculture and the Department of Taxation will also be brought into this first phase of centralization.

CHAIR HORSFORD:

There will be a plan, during the interim, for the evaluation of centralizing other State functions utilizing this same formula. This plan would be brought back for consideration by the next Legislature.

MS. BYERS:

That is my understanding.

CHAIR HORSFORD:

The Grants Management Unit is an issue in this account. It was not made clear to me that this was going to be part of today's budget closure. We have two bills that deal with this issue, Assembly Bill (A.B.) 243 and Senate Bill (S.B.) 233. I would like to discuss the policy at issue.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 9

ASSEMBLY BILL 243: Creates the position of State Grants Coordinator within the Budget Division of the Department of Administration. (BDR 31-585)

SENATE BILL 233: Establishes the Office of Grant Procurement, Coordination and Management in the Department of Administration. (BDR 18-1058)

Senator Parks has worked on S.B. 233. I do not know if there is a member of the Assembly here today who worked on A.B. 243. Are the provisions of the policy, as provided in those bills, covered in relation to what is being recommended in this budget closing? I would like Staff to discuss the Grants Management Unit.

MS. BYERS:

This budget includes decision unit E-250.

E-250 Economic Working Environment — Page ADMIN-3

The Governor recommends three new positions for the new Grants Management Unit, as recommended by the Spending and Government Efficiency Commission. At the budget hearing on March 18, 2011, the Agency indicated that the three positions would not only find grant opportunities, but they would also provide training to State agencies on grant writing and finding resources for other grant opportunities. The three positions would write grant proposals for the smaller agencies.

The three positions are recommended to begin on July 1, 2011, because that is the date that the position in the Governor's office that manages the American Recovery and Reinvestment Act of 2009 (ARRA) funds will be eliminated. These three positions would take over that management until the funding expires.

As has been noted, there are two bills related to the Grants Management Unit. Assembly Bill 243 is currently under consideration in the Assembly Committee on Ways and Means. It would create the position of the State Grants Coordinator within the budget in order to facilitate the dissemination of grant information.

Senate Bill 233 would establish the Office of Grant Procurement.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 10

Both bills have different outlines for the number of positions and the framework for an office charged with managing grants.

Both bills include funding for a Website to be developed. That funding is not included in this decision unit.

Senate Bill 233 includes funding for six positions, Website development and associated operating costs. This would add three more positions over what is recommended in the Governor's budget. The fiscal note attached to A.B. 243 is approximately the same as what is recommended in the Governor's budget.

CHAIR HORSFORD:

I will accept a motion for the approval of the recommended reorganization and consolidation of DOA.

SENATOR KIECKHEFER MOVED TO APPROVE THE RECOMMENDED REORGANIZATION AND CONSOLIDATION OF THE DEPARTMENT OF ADMINISTRATION AND RELATED DECISION UNITS E-225, E-500, E-501, E-805, E-900, E-903, E-904, E-907, E-908 AND E-912 IN B/A 101-1340.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HOGAN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

CHAIR HORSFORD:

Regarding the Grants Management Unit, I would suggest that we approve the closure of this item with the direction that Staff make any technical adjustments based on the approval of relevant policy as established by either A.B. 243 or S.B. 233.

SENATOR LESLIE MOVED TO APPROVE THE NEW GRANTS MANAGEMENT UNIT IN DECISION UNIT E-250 OF B/A 101-1340 WITH

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 11

THREE NEW POSITIONS AND ASSOCIATED OPERATING COSTS, INCLUDING TECHNICAL ADJUSTMENTS MADE BY STAFF TO REMOVE STEP INCREASES FOR THE NEW POSITIONS AND OTHER ADJUSTMENTS BASED ON THE APPROVAL OF THE POLICY ESTABLISHED BY EITHER A.B. 243 OR S.B. 233.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HOGAN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

ASSEMBLYWOMAN SMITH:

Whenever we discuss the assignment of a PIO to any of the State agencies, I want to take the opportunity to express how frustrating it continues to be for me that the Department of Education does not have a PIO. I have been raising this issue since I was first elected. Education spending represents one-half of our budget. It is something that we claim to care about a great deal. However, we continue adding PIOs to various agencies and departments, and yet we still have done nothing for the Department of Education to ensure that they have a PIO to educate the public about the important issues.

MS. BYERS:

I will now discuss the additional closing items in B/A 101-1340.

Decision unit E-710 is for replacement equipment.

E-710 Equipment Replacement — Page ADMIN-6

The Governor recommends General Fund revenues of \$6,967 in FY 2011-2012 and \$7,119 in FY 2012-2013 to replace ten desktop computers and accompanying software in accordance with DoIT's replacement schedule.

In addition, funding is recommended to increase the DoIT disk storage services and to establish funding for DoIT virtual server assistance.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 12

The second additional closing item concerns the DOA cost allocation, E-800.

E-800 Cost Allocation — Page ADMIN-6

The *Executive Budget* recommends a General Fund appropriation of \$11,856 in FY 2011-2012 and \$15,322 in FY 2012-2013. This will fund the various allocations within the Department, including the centralized personnel services and personal computer technician cost allocations, and an adjustment to the existing Administrative Services Division cost allocation.

Both of these additional closing item recommendations appear reasonable to Staff. Fiscal Staff recommends that decision units E-710 and E-800 be approved, and requests authority to make necessary technical adjustments for final departmental cost allocations and assessments and to reconcile transfer decision units between accounts.

ASSEMBLYMAN KIRNER MOVED TO APPROVE DECISION UNITS E-710 AND E-800 IN B/A 101-1340 AS RECOMMENDED; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL COST ALLOCATIONS AND ASSESSMENTS AND TO RECONCILE TRANSFER DECISION UNITS BETWEEN ACCOUNTS.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HOGAN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

Ms. BYERS:

I will move on to discuss B/A 101-1301, Special Appropriations.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 13

Special Appropriations — Budget Page ADMIN-12 (Volume I)
Budget Account 101-1301

There are two major closing issues in this account. The first is the \$75,000 General Fund appropriation in each year of the biennium to provide funding to the Nevada Volunteers partnering with AmeriCorp to enhance Nevada's volunteer community which provides services throughout the State. The funding is used by Nevada Volunteers as leveraging for private and federal grants.

Do the Committees wish to approve the \$75,000 General Fund appropriation in each year of the 2011-2013 biennium for the Nevada Volunteers organization?

CHAIR HORSFORD:

How much federal match funding would we receive through this item?

MS. BYERS:

Testimony provided at the last budget hearing on this account indicated that this would allow the leveraging of nearly \$8.5 million in private and federal grants.

CHAIR HORSFORD:

That is an outstanding return on investment. I will accept a motion to approve \$75,000 in Nevada Volunteer organization funding.

SENATOR LESLIE MOVED TO APPROVE THE \$75,000 GENERAL FUND APPROPRIATION IN EACH YEAR OF THE 2011-2013 BIENNIUM FOR THE NEVADA VOLUNTEERS ORGANIZATION.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN HOGAN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 14

MS. BYERS:

We received a budget amendment on April 27, 2011 which would increase the funding for this account by \$15,000 in General Fund appropriations in each year of the biennium for the Governor's Advisory Council on Holocaust Education.

Fiscal Staff has requested additional information explaining what the funding would be used for and how the amount was determined. The narrative in the budget amendment states that the funding would be used for education on the Holocaust, but no details were provided about which organizations would receive funding or if it would be used to leverage other funds.

Do the Committees wish to approve the proposed budget amendment to provide \$15,000 in each year of the 2011-2013 biennium to the Governor's Advisory Council on Holocaust Education?

CHAIR HORSFORD:

How much was provided in the Legislative-approved budget in 2009 for this purpose?

MS. BYERS:

I do not know.

RICK COMBS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Holocaust education money was in the Department of Cultural Affairs account last Session. It was included in one of the budget reductions. There may have been a position related to this program within the Department of Cultural Affairs at one point. Last Session, the General Fund money was taken out. There was some discussion, during closings, about trying to retain the authority for funding even though there was no funding available. No funding ever materialized for the program during the current biennium.

CHAIR HORSFORD:

I would like to get information about the history of how this program has been funded. I suggest that we hold this item. I want to make sure that the amount we are proposing is adequate. I have met with representatives from this Council and I am concerned that the recommended \$15,000 might not be an

appropriate level. I would also like to know more about how the funding, as requested, would be approved. We will bring this item back.

MS. BYERS:
We will get that information.

The next account is B/A 715-1352, Insurance and Loss Prevention.

Administration – Insurance & Loss Prevention — Budget Page ADMIN-32
(Volume I)
Budget Account 715-1352

The major closing item in this account pertains to the creation of a captive insurance program. The *Executive Budget* recommends a State-funded captive insurance program to insure its heart, lung, hepatitis and cancer (HLHC) presumptive benefits. The Agency has indicated that the captive will reduce premium expenses and will consolidate the costs to presumptive benefits for HLHC.

The Agency has indicated that claims costs would be neutral. However, upfront costs of approximately \$500,000 would come from reserves for a capital contribution to be placed in a bank account which would earn interest. In addition, the captive would charge an annual cell rental fee of \$15,000 per cell which would be used to offset the administrative expenses.

Based on additional information that has been provided by the Agency, the administrative expenses for the captive are estimated at \$91,000 per year instead of \$90,000 per year for four cells instead of three cells. This would be shared by each entity participating in the captive insurance program.

The State would rent two cells for the HLHC presumptive benefits and the State's Excess Liability Insurance. The City of Henderson and the City of Las Vegas have shown interest in participating in the captive.

The other participating entities would also be required to front the equivalent of one year's worth of claims.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 16

This recommendation appears reasonable to Fiscal Staff. Do the Committees wish to approve the creation of a captive insurance program to insure its HLHC presumptive benefits and the State's Excess Liability Insurance?

ASSEMBLYWOMAN CARLTON:

I am trying to understand what the benefit to the State would be in developing this captive. Is it a sponsored captive? Regarding the cell rental fee, who would be the renter?

My greatest concern is that I cannot see a benefit for the State in doing this. I was not on the Joint Subcommittee on General Government when this measure was discussed. When you talk about presumptive benefits and the problems that we have had with those benefits over the short time that I have been here, it raises concerns. These are significant benefits.

MS. BYERS:

The reason for the captive is that, because of the program, they will be able to get into a market that provides better rates for premiums. This would also segregate those expenditures into one account.

Regarding the cells, each entity would share in the administrative costs. The State would pay for two cells. The administrative costs would be \$91,000 which would mean a payment of \$15,000 per entity. The City of Las Vegas and the City of Henderson would also contribute towards those administrative costs, so they would pay approximately \$15,000 for each cell.

The individual cells allow each entity to have their own insurance programs. They can have their own third-party administrators.

ASSEMBLYWOMAN CARLTON:

I understand. Do we know who the renter is going to be?

Maybe we will not be establishing this. Maybe we will be in partnership with someone who is already a captive. We will be renting those cells from them.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 17

MS. BYERS:

We will be establishing this captive. The City of Henderson and the City of Las Vegas would join, as would other entities as they wanted to join. This would increase the number of cells to share in the cost.

Testimony was provided that we could eventually examine the possibility of having a third-party administrator to process all claims. They could contribute towards those costs.

ASSEMBLYWOMAN CARLTON:

We already have a third-party administrator that handles these. Would we keep that and transfer it over?

MS. BYERS:

We would keep the existing third-party administrator that is currently used by the Risk Management Division.

ASSEMBLYWOMAN CARLTON:

Who would be the reinsurer on this captive? They are required to have reinsurance to make sure that they are financially sound. Was that discussed?

MS. BYERS:

I do not know.

ASSEMBLYWOMAN CARLTON:

That gives me concern. I do not see how the State will benefit on these presumptive benefits by establishing this program. I cannot see where the savings are. Perhaps the Chair of the Subcommittee that discussed this budget could explain further.

ASSEMBLYMAN CONKLIN:

We heard this in Subcommittee. This was early in the Session.

We asked many questions of the testifiers on this issue. I was impressed by the plan. Right now, every entity has its own insurance. By creating a captive, the entities, the separate cities, will be able to participate in one captive. We will be able to group everyone together at the same time. Just like with any other insurance product, we will be able to bargain for lower rates. The program will

be self-funded. The more people you have in the risk pool, the more diverse the pool, the more the per-employee costs will go down.

There should not be any effect to the employee because the law will still dictate what must be paid. If they want to contract with a third-party administrator, which many of them do not, this may create problems. I do not know if the State will manage the claim or if there will be a third-party administrator. I do not recall if that discussion was had.

MS. BYERS:

They have a third-party administrator to process claims and would continue to do so.

ASSEMBLYMAN CONKLIN:

It would be the same one.

ASSEMBLYWOMAN CARLTON:

If we could get rid of our third-party administrator, I would be happier.

ASSEMBLYMAN CONKLIN:

We would not be affecting that process. This is simply a matter of cost savings. We would be allowing multiple municipal entities to participate in the program.

MS. BYERS:

That is correct. The cost savings would come from being able to enter the market to find a lower premium because of the captive. I do not recall the exact term for the insurance market that we would use, but that would be where we would see the savings. Nothing would change in the way claims are processed. They will continue to be processed by the third-party administrator that the Risk Management Division has under contract. By having a captive insurance program, we would be able to get lower insurance premiums.

ASSEMBLYMAN CONKLIN:

My only concern with this program is that I recognize that some of our municipalities are more fiscally prudent than others. The ones that we do not have problems with in paying claims are the ones that want to participate. The municipalities with whom we have had these kinds of problems, such as Clark County, have not expressed an interest in participating.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 19

Other than that, I believe that this is a good plan.

ASSEMBLYWOMAN CARLTON:

Would we be contracting with a private entity to be our captive or would we be our own captive, through our self-insured status, and through the Insurance Commission?

ANA ANDREWS (Deputy Administrator, Risk Management Division, Department of Administration):

The captive program was meant to be a response to the rising costs of workers' compensation. We need to transfer the risk into this captive.

Each cell is a segregated cell, meaning that each cell will bear its own liability.

ASSEMBLYWOMAN CARLTON:

We are currently self-insured for workers' compensation. We carry our own risk. Will we be deferring our risk to a private captive or will we, as a State, be setting up our own captive?

Ms. ANDREWS:

We, as the State, are going to set up our own captive. We will rent cells to other municipalities or entities that are interested in participating.

ASSEMBLYWOMAN CARLTON:

So we would be renting out the cells?

Ms. ANDREWS:

We would be setting it up, yes.

ASSEMBLYWOMAN CARLTON:

So we would not be contracting with one of the larger companies in the State, we would still be self-insured?

Ms. ANDREWS:

That is correct. Currently, we are a high-deductible program which is similar to a self-insured program.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 20

ASSEMBLYWOMAN CARLTON:
Is that for workers' compensation?

MS. ANDREWS:
Yes.

ASSEMBLYWOMAN CARLTON:
Would you go to the open market for the reinsurance?

MS. ANDREWS:
We would, yes.

ASSEMBLYWOMAN CARLTON:
Do we have an estimate for where that would take us? That is not a cheap market either. Currently, we do not have to reinsure as a self-insured group. We can carry our own.

MS. ANDREWS:
Currently we must go through a broker. We would bypass that part and we would go directly to the reinsurance market.

ASSEMBLYWOMAN CARLTON:
I see no benefit to this. I am not sure where this will take us. I was in the Legislature in 1999 when workers' compensation was privatized. To be self-insured is one thing. I have concerns about the captive and the reinsurance market and what that could end up costing us in the long run. I would like to know more about how that would affect the workers who will be involved in this. Some of the most heart-wrenching stories that we hear in this building are about workers' compensation claims.

I understand that the business side of this proposal may be acceptable, but I am concerned about how this will ultimately work out for the State employees.

CHAIR HORSFORD:
What amount of savings would we anticipate if we were to do this? If we do not have a number for that, would we need to put some performance measurements in place before approval so that we can determine whether it will be effective?

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 21

MS. ANDREWS:

We will have to initiate an actuarial study once the captive is set up and then compare the results.

I would like to clarify that the captive is only for HLHC benefits. It will not affect the other workers' compensation claims.

I would also like to reiterate that each cell would operate independently. At the same time, they would share in the operational costs of the captive, utilizing common service providers, risk management practices and insurance relationships that would be made available through the captive structure.

CHAIR HORSFORD:

What are your thoughts about the inclusion of performance measurements? Ultimately, we are considering this measure in the hopes that it will allow us to better manage these workers' compensation claims within our own program and within the municipalities. You mentioned that there would be an actuarial study to compare the claims that we have had against the claims that are managed under this program. If that actuarial study shows that there is not any benefit from what we have used before, we would want to end the use of the captive.

We do not want to continue a measure that does not achieve any efficiencies, savings or benefits. If we approve this, we might approve it with a letter of intent requesting that the actuarial study be performed within a set timeline and then reported back to the Interim Finance Committee (IFC) to show the results. If performance is not achieved, based on established benchmarks, we may determine that the development of these captive insurance programs should be discontinued. We might consider adding a two-year sunset provision to this measure.

MS. ANDREWS:

If that is the will of the Committees, then we will comply.

CHAIR HORSFORD:

In the interest of the comfort of some of the members, I suggest that we do this for two years. We would issue a letter of intent to the Risk Management Division saying that we want an actuarial study to be performed comparing the results under both structures with benchmarks for what the Division expects to

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 22

have achieved with the captive insurance program. The status reports should be provided to IFC semiannually.

A full report should be made regarding the benefits, cost-savings and efficiency of the captive program in relation to the original structure during the next Legislative Session.

As that is a great deal of language to include in a letter of intent, our other option would be to approve the measure as recommended and then to request a bill draft request (BDR) that would implement the requirements I have just described.

ASSEMBLYWOMAN CARLTON:

These benefits are presumptive benefits. I understand the discussions that have gone on over the past ten years concerning presumptive benefits, but every Session, we hear from groups who testify that they have to fight for their presumptive benefits. One of my greatest concerns is over the high rate of denials through the third-party administrators. I know that some of these are better than others.

In the system we have now, a worker who qualifies for the statutory presumption for benefits can still be denied and required to appeal. Some of these workers must fight for these benefits for several years. If the captive insurance structure would do a better job of handling these claims and we could avoid putting the workers through these difficulties, then the State will have received a benefit. If it does not, and the workers continue to be burdened by the same elongated process, then I do not see an improvement being achieved. I do not want to see the system we have get any worse for the employees.

ASSEMBLYMAN CONKLIN:

This measure does not affect the employee in any way. My colleague is discussing something completely different. I believe that Assemblywoman Mastroluca is correct in asserting that we should study the adequacy of the system in addressing compensation claims. We should examine how many of these claims are denied and under what circumstances they are denied. I believe that public entities should be punished for violating the law in circumstances where claims were denied without legitimate cause. There are grounds for that.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 23

What we are talking about, in this case, is a financial mechanism with which we will save money in the insurance process. I want to make sure that we understand that we are discussing two different issues. They are not mutually exclusive, but they are not the same.

CHAIR HORSFORD:

If I understand Assemblywoman Carlton's concerns, I believe that she is suggesting there could be a problem in the way constituents end up in one program or another. If they are being mishandled now, and then they are moved into a new program and nothing improves, the workers will not receive any benefit from the program, even if we are seeing savings for the State. We may need to balance that interest.

The issue before these Committees is concerning the financial piece. I thought that there was something in the Senate Committee on Commerce and Labor that dealt with captive insurance programs. We may want to follow up on that and review the policy side of this measure in order to determine how the injured workers will be affected.

MS. ANDREWS:

The basic idea in establishing the captive is that all cells will have to follow the same procedure. There will be a standardized way of handling these benefits. We know that there have been complaints about how the municipalities handle things in a different way.

CHAIR HORSFORD:

I will accept a motion to approve the creation of a captive insurance program for the HLHC presumptive benefits and the State's excess liability insurance with a letter of intent requiring semiannual reporting to IFC, first on the actuarial study and subsequently on any achievement of standards towards cost-savings and efficiencies. This policy would have a sunset provision by which it would expire after two years. Any extension beyond that would require further Legislative approval.

ASSEMBLYWOMAN CARLTON MOVED TO APPROVE THE CREATION OF A CAPTIVE INSURANCE PROGRAM FOR THE HLHC PRESUMPTIVE BENEFITS AND THE STATE'S EXCESS LIABILITY INSURANCE; TO ISSUE A LETTER OF INTENT REQUIRING SEMIANNUAL REPORTING TO IFC ON

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 24

THE FINDINGS OF AN ACTUARIAL STUDY AND SUBSEQUENT STATUS REPORTS ON THE COST-SAVINGS ACHIEVED BY THE NEW PROGRAM; AND TO INCLUDE A TWO-YEAR SUNSET PROVISION TO THE CAPTIVE INSURANCE PROGRAM.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLYWOMAN SMITH:

I have a concern over using the term "actuarial study." Those can be extremely expensive. I am concerned that we may end up spending more money on this program than it would end up saving. I agree with the idea of studying and reporting on the potential benefits of this program, but I am concerned about having to pay for an actuarial study.

CHAIR HORSFORD:

I would amend that term to "analysis up to and including an actuarial study, as deemed necessary by the Department."

ASSEMBLYWOMAN SMITH:

I am comfortable with that.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN CONKLIN VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MS. BYERS:

In other closing items for this account, B/A 715-1352, we have decision unit E-710.

E-710 Equipment Replacement — Page ADMIN-35

This unit is for replacement equipment. The Governor recommends funding in the amount of \$6,750 in FY 2011-2012 and \$9,985 in FY 2012-2013 from reserves to replace four desktop computers, a Cisco Ethernet port switch, a server and software.

The next item is decision unit E-720.

E-720 New Equipment — Page ADMIN-36

The Governor recommends \$1,500 in each year of the biennium, funded with reserves, to provide special equipment for agencies and their employees to address safety concerns and to reduce the frequency and severity of injuries to workers which might result in claims.

This account includes decision unit M-100.

M-100 Statewide Inflation — Page ADMIN-33

In both FY 2009-2010 and FY 2010-2011, the actual statewide cost allocation assessed to this account totaled \$170,771 in each year. In the *Executive Budget*, the assessment is eliminated for the statewide cost allocation for the 2011-2013 biennium.

Fiscal Staff has confirmed that the *Executive Budget* is correctly stated and that the Insurance and Loss Prevention account should not be assessed the statewide cost allocations for the 2011-2013 biennium.

Decision unit E-800 is for DOA's various cost allocations.

E-800 Cost Allocation — Page ADMIN-37

This unit will be included throughout all of the accounts we will discuss today. It includes the centralized personnel services cost allocation, the personal computer/local area network (PC/LAN) technician cost allocation and an adjustment to the existing Administrative Services Division cost allocation.

The last four items appear reasonable to Staff.

The fifth item, as included on page 8 and page 9 of [Exhibit C](#), describes the recommended rates for this account that would be assessed to the agencies. It also elaborates on the premium costs for the workers' compensation insurance and for the property and contents; aviation; boiler and machinery and

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 26

miscellaneous insurance. This item is included strictly for the Committees' consideration, and no action is required.

Fiscal Staff recommends that the remainder of the Insurance and Loss Prevention account be closed as recommended by the Governor. Staff requests authority to make technical adjustments for the final departmental or statewide allocations and assessments and for any adjustments relating to rates for this account.

CHAIR HORSFORD:

Why are reserves for the workers' compensation lines decreasing by 30 percent? Why is there a combined decrease of 62 percent?

MS. BYERS:

The funding is decreasing because the rates have gone down. On March 18, 2011, the Risk Management Division testified before the Joint Subcommittee on General Government that the recommended reserve levels were sufficient. There are two separate reserves. One is for workers' compensation. The other is for the remaining insurance policies and operating expenses in this account. This has been allowed in order to decrease their rates. The actuary and the Administrator of the Risk Management Division have testified that these reserves appear reasonable and Staff concurs.

CHAIR HORSFORD:

Do the rates get reduced for those who participate in our self-insured workers' compensation program?

MS. BYERS:

They do get reduced. Other State agencies get assessed workers' compensation insurance based on salaries up to \$36,000 per year. That rate, for example, is currently 2.73 percent and it is going down to 1.55 percent. The same is true for the property and contents, auto compensation/collision and employee bond lines of insurance. These are all assessments charged to other State agencies.

CHAIR HORSFORD:

That is good news. Our State workers are being safer on the job and that means we are reducing our costs by 60 percent.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 27

MS. BYERS:

That is correct. I would like to add that the Risk Management Division has been able to get better rates on the premiums for insurance because of the current condition of the market. That is another reason for the declining rates, in addition to reductions in claims costs.

CHAIR HORSFORD:

I do not want that point to get lost. That is an important achievement. Those that are involved should be pleased with the work they have done, as should the members of the workforce who have helped reach that achievement.

I will accept a motion on the remaining closing items with technical adjustments.

ASSEMBLYMAN CONKLIN MOVED TO APPROVE DECISION UNITS E-710, E-720, M-100 AND E-800 IN B/A 715-1352 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL OR STATEWIDE ALLOCATIONS AND ASSESSMENTS AND FOR ANY ADJUSTMENTS RELATING TO RATES FOR THIS ACCOUNT.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

MS. BYERS:

The next account I will discuss is B/A 101-1342, Administration – Division of Internal Audits.

Administration – Division of Internal Audits — Budget Page ADMIN-39
(Volume I)

Budget Account 101-1342

There is one major closing issue in this account. It concerns the reclassification of three existing positions from a grade 44 to a grade 42. Two of the positions are Executive Branch auditors and one is a supervising auditor.

All three positions are currently filled. The reclassification would result in a decrease of approximately 10 percent. The reason for the reclassification is that, because of the decrease in staffing within the Division of Internal Audits in previous biennia, the supervisor-to-staffing ratio has changed. These positions are being downgraded in accordance.

A budget amendment has been submitted by the Budget Division. Because these three individuals have been in these positions for a period of time, they are able to retain their rates of pay in accordance with *Nevada Administrative Code* (NAC) 284.290. The budget amendment adds General Fund money back into this account for the reclassification since those three positions will retain their rates of pay. This returned General Fund allocations will \$23,357 in FY 2011-2012 and \$30,881 in FY 2012-2013.

Do the Committees wish to approve decision unit E-805, including Budget Amendment No. A00257 which reclassifies the three positions but requires the restoration of General Fund money in the amount of \$23,357 in FY 2011-2012 and \$30,881 in FY 2012-2013 in order to retain current rates of pay pursuant to NAC 284.290?

CHAIR HORSFORD:

You have brought up a point that I would like to address in anticipation of our consideration of the Unclassified Pay Bill at the end of the Session. I want to ensure that analysis is being done on the ratio between front-line staff and supervisory staff. As cuts are being made to front-line staff, commensurate adjustments for supervisory staff need to be brought forward as recommendations. This is the first time I have seen a situation where, due to the reduction in the workforce, positions need to be reclassified. It is appropriate to do so. I have not seen this occurring in other State agencies.

I would like to know more about how this process is handled and I would like to make sure that the authority is in place to ensure that other positions can be reclassified in response to supervisor-to-staff ratio changes, if necessary.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 29

MARK. KRMPOTIC (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Later in the Session, Staff will put together information regarding unclassified pay levels that are included in the Unclassified Pay Bill. That is examined in conjunction with the Legislators to determine the recommended salary levels over the biennium. Staff will examine any recommendations that are made by the Governor with respect to unclassified pay changes as well as any significant changes in the agencies. We will not necessarily give close examination to the ratio of supervisors to staff. We will make notes of significant changes in agencies or restructuring efforts.

Regarding unclassified supervisory positions, if there is any examination of that at all it is primarily done through the budget reviews that the Committees are conducting now. As each budget is discussed, significant changes in duties and responsibilities will be noted, if they exist.

Staff has not necessarily recommended downward reclassifications. In some cases, they have been recommended by the Governor's Office. Overall, Staff will try to point out significant items in the budget hearings or in the discussion of the Unclassified Pay Bill.

CHAIR HORSFORD:

This is an area of concern. I know that we have made significant cuts to front-line staff in both vacant positions and otherwise. Between the two, it should mean an adjustment at the supervisory level based on the levels that are established. This should be for all budgets, not just those that depend on the General Fund. It should hold true for accounts that rely on Highway Fund money and others as well. I do not know how that gets handled, but I would like it to be on the record now. This should be analyzed, either through the newly centralized personnel function or through some other avenue. It is not fair for the front-line workers who are doing more work to have the brunt of these decisions affect them while the supervisory positions remain unaffected.

In some cases, supervisors are taking on more, and that should be noted as well.

On this item, we will take a motion to approve decision unit E-805, including Budget Amendment No. A00257 which reclassifies the three positions but

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 30

requires the restoration of the General Fund to retain rates of pay, pursuant to regulation.

ASSEMBLYWOMAN SMITH MOVED TO APPROVE DECISION UNIT E-805 IN B/A 101-1342, INCLUDING BUDGET AMENDMENT NO. A00257 WHICH RECLASSIFIES THREE POSITIONS BUT RESTORES GENERAL FUND EXPENDITURES TO MAINTAIN RATES OF PAY IN ACCORDANCE WITH NAC 284.290.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN BOBZIEN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. BYERS:

In other closing items, I will discuss decision unit E-606.

E-606 Staffing and Operating Reductions — Page ADMIN-41

This item recommends the elimination of a vacant administrative assistant position for a total savings of \$61,669 in FY 2011-2012 and \$62,655 in FY 2012-2013 for the General Fund.

This item relates to staff reductions. The Division of Internal Audits has two administrative assistants and with the staffing reductions, one is sufficient to support the Executive Branch auditors and the financial management and post review unit. This position has been vacant since August 25, 2009.

The second additional closing item is decision unit E-230.

E-230 Reduce Duplication of Effort — Page ADMIN-40

This item proposes to move the Division of Internal Audits from privately owned leased space to a State-owned space. Effective October 1, 2011, they will be moving into the third floor of the Blasdel Building in Carson City.

Fiscal Staff has included an adjustment to this account for Budget Amendment No. A00257 which reduces this decision unit by \$1,641 in General Fund allocations for FY 2011-2012 to eliminate charges from the Buildings and Grounds Division related to the Division of Internal Audits' move to the Blasdel Building.

The third additional closing item is decision unit E-251.

E-251 Economic Working Environment — Page ADMIN-41

This item includes moving expenses and tenant improvements for the space that the Division of Internal Audits will be occupying on the third floor of the Blasdel Building.

Fiscal Staff has included an adjustment to this decision unit in response to Budget Amendment No. A00257. The adjustment increases this decision unit by \$7,008 in General Fund dollars in FY 2011-2012 for moving costs and data drop installation. This includes a decrease in charges by the Division of Buildings and Grounds related to the Division of Internal Audits' move to the Blasdel Building.

The fourth additional closing item pertains to decision unit E-710.

E-710 Equipment Replacement — Page ADMIN-43

The Governor recommends General Fund allocations of \$11,217 in FY 2011-2012 and \$9,645 in FY 2012-2013 to replace 8 laptop computers, 2 desktop computers and software.

The fifth additional closing item is decision unit E-800.

E-800 Cost Allocation — Page ADMIN-43

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 32

This item is related to the various cost allocations for the centralized personnel services, PC/LAN technician cost allocations and an adjustment to the existing Administrative Services Division cost allocation.

Do the Committees wish to approve the other closing items including Budget Amendment No. A00257 adjusting rent, moving and data drop costs? Staff requests authority to make technical adjustments for final departmental or statewide allocations and assessments.

SENATOR CEGAVSKE MOVED TO FOLLOW STAFF'S RECOMMENDATIONS TO APPROVE DECISION UNITS E-606, E-230, E-251, E-710 AND E-800 IN B/A 101-1342 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL OR STATEWIDE ALLOCATIONS AND ASSESSMENTS.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN BOBZIEN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

MS. BYERS:

For the Committees' information, I would like to add that there is pending legislation, S.B. 325, which, as amended, would move the Division of Internal Audits from under DOA to the Office of the State Controller.

SENATE BILL 325: Moves the Division of Internal Audits from the Department of Administration to the Office of the State Controller. (BDR 18-1062)

I will move on to page 13 of Exhibit C. This page contains closing information for B/A 711-1354, the Motor Pool Division.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 33

Administration – Motor Pool — Budget Page ADMIN-45 (Volume I)
Budget Account 711-1354

Major closing issues for this account include a budget amendment requesting additional vehicles, Budget Amendment No. A00202 which is related to decision units E-711 and E-721.

E-711 Equipment Replacement — Page ADMIN-50

E-721 New Equipment — Page ADMIN-50

Decision unit E-711 recommends reserve funding of \$154,901 over the 2011-2013 biennium for depreciation costs associated with the purchase of 28 replacement vehicles for State agencies in FY 2011-2012 and 31 replacement vehicles in FY 2012-2013. The purchase of those vehicles is handled in the Motor Pool's other budget account, B/A 711-1356 which I will discuss later.

Administration – Motor Pool Vehicle Purchase — Budget Page ADMIN-53
(Volume I)
Budget Account 711-1356

In an effort to start moving nonmanaged fleets to the Motor Pool Division, as recommended by an audit issued by the Division of Internal Audits, DOA submitted a budget amendment to add five vehicles. The amendment includes the operating costs and depreciation expenses associated with those five additional vehicles.

Decision unit E-722 is a new decision unit included in the budget amendment which would add six additional vehicles as part of moving nonmanaged fleet into the Motor Pool Division.

E-722 New Equipment

Those are included in three separate, one-shot appropriations in S.B. 455, S.B. 457 and S.B. 460.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 34

SENATE BILL 455: Makes an appropriation to the Motor Carrier Division of the Department of Motor Vehicles for the replacement of a vehicle and office equipment. (BDR S-1252)

SENATE BILL 457: Makes an appropriation to the Department of Motor Vehicles for the replacement of vehicles and other equipment. (BDR S-1258)

SENATE BILL 460: Makes an appropriation to the Department of Motor Vehicles for the replacement of office equipment and a vehicle. (BDR S-1256)

An amendment was added to those three bills which would add those vehicles to the Motor Pool Division and then charge the Department of Motor Vehicles for the rental.

Do the Committees wish to approve decision units E-711 and E-721 as amended by the Governor in order to add operating costs for a total of six additional vehicles, and to approve operating costs for six more vehicles in decision unit E-722, contingent upon the amendment and approval of S.B. 455, S.B. 457 and S.B. 460?

CHAIR HORSFORD:

Is this money coming from a source other than the General Fund?

MS. BYERS:

Yes. It is coming from the Highway Fund.

CHAIR HORSFORD:

I believe that we have discussed this before. I want to make sure that this is not money coming out of the classrooms.

SENATOR LESLIE MOVED TO APPROVE DECISION UNITS E-711 AND E-721 IN B/A 711-1354 AS AMENDED BY THE GOVERNOR; AND TO ADD OPERATING COSTS FOR A TOTAL OF SIX ADDITIONAL VEHICLES; AND TO APPROVE OPERATING COSTS FOR SIX MORE VEHICLES AS PROPOSED BY NEW DECISION UNIT E-722, CONTINGENT UPON THE AMENDMENT AND APPROVAL OF S.B. 455, S.B. 457 AND S.B. 460.

SENATOR PARKS SECONDED THE MOTION.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 35

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN BOBZIEN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. BYERS:

The second major item concerns the replacement of the automated billing system as recommended by decision unit E-275.

E-275 Best Use of Technology — Page ADMIN-47

Reserve funding of \$64,478 is recommended in FY 2011-2012 to replace the Motor Pool Division's automated billing system. The Motor Pool has indicated that the current system utilizes FoxPro programming language which is no longer supported by the manufacturer.

Representatives of the Division testified before the Joint Subcommittee that they could not purchase an off-the-shelf software package because the automated billing system is interfaced with the State's Integrated Financial System (IFS). However, the Division has indicated that it would issue a request for proposal for this project instead of going with the sole source contract for programming.

This recommendation appears reasonable to Staff. Do the Committees wish to approve the recommendation to replace the Motor Pool's automated billing system for a total cost of \$64,478 in FY 2011-2012?

CHAIR HORSFORD:

If approved, would this allow for a request for proposal?

MS. BYERS:

That is correct. One of the questions posed to the Motor Pool Division was whether they would go out for a request for proposal or use the current contractor that the State is using for IFS. While the current contractor may ultimately be the best option, the Division was still asked to seek a request for proposal.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 36

CHAIR HORSFORD:

I would hope that is the case. This would give other entities the opportunity to bid on these types of contracts. I will accept a motion to approve this item.

SENATOR LESLIE MOVED TO APPROVE THE RECOMMENDATION TO REPLACE THE MOTOR POOL DIVISION'S AUTOMATED BILLING SYSTEM FOR A TOTAL COST OF \$64,478 IN FY 2011-2012.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN BOBZIEN WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. BYERS:

The third major closing item proposes to reduce operating costs. The related decision unit is E-607.

E-607 Staffing and Operating Reductions — Page ADMIN-48

This item recommends reducing operating costs by reducing the size of the overall fleet. The fleet is recommended to be reduced by 30 vehicles, resulting in a savings of \$65,879 in each year of the biennium. In the 2010 Legislative Audit Report on the Motor Pool Division, one of the principal findings was that many Motor Pool vehicles did not meet the Division's minimum use requirements. In light of that, the Division and DOA went through the various agencies and determined that 64 vehicles would be returned by the various agencies due to budget reductions. Thirty-eight of these will be sold and the remaining 26 vehicles will be reassigned to State agencies requesting replacement vehicles during the 2011-2013 biennium. This results in a significant decrease in the number of new and replacement vehicles from what the Division normally requests.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 37

Do the Committees wish to approve the recommendation to reduce the motor pool fleet by 38 vehicles and to reduce associated operating costs by \$65,879 in each year of the biennium?

SENATOR CEGAVSKE MOVED TO APPROVE THE RECOMMENDATION TO REDUCE THE MOTOR POOL FLEET BY 38 VEHICLES AND TO REDUCE ASSOCIATED OPERATING COSTS BY \$65,879 IN EACH YEAR OF THE BIENNIUM.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

CHAIR HORSFORD:

I have a question about State vehicles. I am renting a house here in Carson City, and every morning when I leave my house, I see a State vehicle parked next door. I am concerned about this kind of thing.

What is being done about these other State vehicles that have been assigned to employees? Is there a process by which we can determine if it is appropriate for them to have these vehicles? I know some are assigned to employees who need to be ready in case of emergencies where they may be called out in the middle of the night, but I wonder why there are still so many State vehicles on the streets that are not being used for their primary purposes.

MS. BYERS:

The State has a process whereby employees can be allowed to store a State vehicle at home. This must be approved by the Budget Division and, perhaps, the Board of Examiners.

KEITH WELLS (Administrator, State Motor Pool, Department of Administration):

There are 46 vehicles that will be returned and sold as a result of this utilization policy, not including the reductions to the Motor Pool fleet. The new utilization policy was effective as of December 2010. The home storage policy has been reviewed. We are taking a much closer look at the State's fleet of vehicles as a whole.

Through the establishment of a committee, we will educate agency fiscal staff on the importance of managing these vehicles internally. This will not just include the Motor Pool vehicles, but all vehicles throughout the State. The

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 38

universities have taken up participation in the workings of that committee as well, something they are not required to do.

I am confident that, over the coming biennium, you will see the State's fleet reduce in size.

CHAIR HORSFORD:

Does that apply to the entire fleet throughout the State or just the Motor Pool?

MR. WELLS:

Those policies will apply to everyone, as will the management and the education of agency fiscal staff.

CHAIR HORSFORD:

So for Nevada Highway Patrol, the Division of Parole and Probation (P&P) and supervisors who drive cars with exempt license plates, there will be a complete review of use? I would like to know that we are examining how employees are using vehicles and what their purposes will be after hours. Will you be revising home storage allowances?

MR. WELLS:

Yes, we will. The utilization policy addresses that.

CHAIR HORSFORD:

When will that begin?

MR. WELLS:

That measure passed through the Board of Examiners last month.

CHAIR HORSFORD:

Nothing has changed with the car parked next to my house.

MR. WELLS:

I can assure you that not many State vehicles are being taken home. The majority of those vehicles are law enforcement vehicles. There are some, but this new utilization policy and the revised home storage policy, in conjunction with awareness education, will be effective in reducing inappropriate use.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 39

CHAIR HORSFORD:

Are there any benchmarks for progress with this initiative? It is one thing to want improvements, but we need strong, standardized benchmarks that we can quantify. This is an area where I believe we can see more savings, but we need something more specific than this.

MR. WELLS:

I agree. This is one of the reasons that I have spent a great deal of time on the utilization policy. As I have stated in other hearings, it is not my Division I am worried about. I am concerned about the entire State fleet.

The utilization policy only came into effect in December 2010. It has many tools in place to educate agency staff. Within the next year, through monitoring and enforcing that policy, we can utilize benchmarks. We can take the State's inventory level today and compare it to the State's inventory level a year or two from now, and we will have valid metrics through which we can quantify reductions.

CHAIR HORSFORD:

I have heard about another policy within P&P that gives me concern. I was informed that they have a mileage cap. They go out and try to perform the supervision of parolees and probation cases and they only have so many miles in each month that they can use. After they reach the cap, they must form teams and use the miles on a car that has not reached the cap. If they do not have the mileage available, they do not perform the supervisory activities. This seems counterproductive to their primary objective. What is the point of saving mileage versus performing their job function?

I am concerned when something like this is happening to a division, but at the same time I see a car parked outside in my neighborhood all day and night as if it had never been moved. We are putting caps on functions as important as the supervision of parolees.

MR. WELLS:

If you provide me with the license plate number, I can research the assignment of that vehicle.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 40

Regarding the issue of mileage caps for P&P, you are referring to an internal policy. They have developed that policy in response to budgetary problems. Their budget only allows them to travel so many miles in a month. I would agree that freedom of mobility seems extremely important in that case, but I do not have any control over their budget or their policies.

CHAIR HORSFORD:

I hope that we can bring some sanity to that policy in one of the committees that deal with public safety. It would be tragic for an offender to recidivate because the P&P officer did not have the ability to travel and supervise them that day. We cannot expect this to be done by phone rather than in person.

ASSEMBLYMAN GRADY:

I would like to point out that many county and city government vehicles have exempt license plates as well. I know, in my county, the same problem is occurring where people are taking vehicles home even when they do not live in the county. This is more than just a State problem.

CHAIR HORSFORD:

I will call for a vote on the motion on the table regarding the Motor Pool fleet.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. BYERS:

There are several other closing items for this account. The rates for the Motor Pool are recommended to decrease significantly compared to the rates for the current biennium.

On page 15 of [Exhibit C](#), there is a table showing the rates as they were and as they are proposed. The rate recommended for the 2011-2013 biennium appears reasonable to Staff based on the Governor's recommended budget as amended.

The savings are primarily due to the reduction of 38 vehicles in the long-term fleet. This results in a savings of \$131,758 over the biennium.

In FY 2009-2010, the reserves were higher than anticipated as fuel expenses came in lower than expected and the number of new and replacement vehicles recommended for the biennium was less than normal. These combined reductions have resulted in the decreasing rates.

Decision unit E-276 proposes to enhance the fleet management system. Reserve funding of \$55,845 is recommended over the biennium to enhance the Motor Pool Division's fleet management system to allow customers to interact with the agency through the internet.

E-276 Best Use of Technology — Page ADMIN-47

The next decision unit is E-606.

E-606 Staffing and Operating Reductions — Page ADMIN-48

In this item, the *Executive Budget* recommends the elimination of one fleet service worker II position which is currently vacant. This position is located at the Motor Pool facility in Reno. The Division is also requesting authority to utilize temporary workers in replacement of the full-time position to meet peak workload period demands. The net savings is \$33,370 in FY 2011-2012 and \$34,286 in FY 2012-2013.

The final closing item concerns DOA's cost allocations. The *Executive Budget* recommends an increase to reserves as a result of the decrease in the Motor Pool Division's share of the DOA's recommended centralized personnel services and PC/LAN technician cost allocations and an adjustment of the existing Administrative Services cost allocation.

The recommendations in these other items appear reasonable to Fiscal Staff. Staff recommends approval of the other closing items and requests authority to make necessary technical adjustments for final departmental cost allocations and assessments and any final rate adjustments.

ASSEMBLYWOMAN MASTROLUCA:

What would constitute a peak workload period that would generate a need for temporary service?

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 42

MR. WELLS:

At the Reno facility, we only have three full-time employees. If someone is sick or if someone goes on vacation or if they have gone to another office to cover things there, we experience a need for additional help. The additional coverage would only be on an intermittent basis. As our facilities are open twelve hours a day, the staff is strained with just one person gone. They can handle it, but it becomes more difficult. When the Board of Regents comes to town, we have a dramatic increase in workload.

We are currently using temporary services. It is an effective program. I can bring someone on to work for one or two weeks to fill a need and it is inexpensive.

ASSEMBLYWOMAN MASTROLUCA:

How often would you use temporary workers?

MR. WELLS:

I would estimate that we would need temporary workers for two to three weeks a year, if we were planning on only having to cover vacation days for the other staff members. Things happen that we cannot always foresee. For example, I currently have a staff member leaving my office in Las Vegas and I have another employee going on medical leave for three months. I am using temporary services to cover those situations. That would be an exception.

CHAIR HORSFORD:

I will accept a motion on these additional closing items with approval for technical adjustments.

ASSEMBLYWOMAN MASTROLUCA MOVED TO APPROVE THE MOTOR POOL RATES AS RECOMMENDED FOR THE 2011-2013 BIENNIUM AND TO APPROVE DECISION UNITS E-276, E-606 AND E-800 IN B/A 711-1354 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL COST ALLOCATIONS AND ASSESSMENTS AND ANY FINAL RATE ADJUSTMENTS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 43

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

MS. BYERS:

I will now discuss the Motor Pool Vehicle Purchase account, B/A 711-1356.

Administration — Motor Pool Vehicle Purchase — Budget Page ADMIN-53
(Volume I)

Budget Account 711-1356

Details of this account are listed on page 17 of [Exhibit C](#). As previously mentioned, this account includes the actual purchase of the vehicles that are recommended in the *Executive Budget*.

Decision unit E-711 recommends the acquisition of 59 replacement vehicles. Twenty-eight of these would be purchased in FY 2011-2012 and 31 vehicles would be purchased in FY 2012-2013. This would amount to a total cost of \$1,306,645 over the upcoming biennium.

Of the 59 replacement vehicles, 4 are replacements for the Motor Pool daily rental fleet and 55 are replacement vehicles for various State agencies' monthly rentals.

Do the Committees wish to approve the purchase of the 59 replacement vehicles for a total cost of \$1,306,645 over the upcoming biennium?

CHAIR HORSFORD:

Would this money come out of the General Fund or would it be drawn from accounts outside of the General Fund?

MS. BYERS:

The funding comes from the depreciation assessment that is transferred from the other account to this account. The money comes through the reserves in that other account.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 44

MR. WELLS:

As part of our rate model, we capture depreciation assessment. These funds are already in our account and we are only requesting the authority to use them.

CHAIR HORSFORD:

What are we doing in response to low-mileage, energy-efficiency concerns? Are we trying to purchase products that will be good for the environment and good for our goal of trying to diversify the economy?

MR. WELLS:

We currently have over 200 alternative-fuel vehicles in our fleet. We use compressed natural gas. We have vehicles that run on ethanol. We currently have two of the only government-owned ethanol tanks in the State of Nevada. One is in Las Vegas and one is in Reno. We use hybrid vehicles.

CHAIR HORSFORD:

Of these 59 vehicles that you will purchase, how many of them will meet this criteria?

MR. WELLS:

Seventy-five percent of those vehicles, if they are not law-enforcement vehicles, must run on alternative fuel, as mandated by Federal law. Due to State mandate, 90 percent of them must run on alternative fuel.

I can assure you that we try to buy alternative fuel vehicles for our entire fleet. We only buy a nonalternative-fuel vehicle if there are no other options.

CHAIR HORSFORD:

Are you saying that 90 percent of these 59 vehicles will run on alternative fuel?

MR. WELLS:

That is correct, after accounting for the number that would be law enforcement vehicles.

CHAIR HORSFORD:

I will accept a motion to approve the 59 replacement vehicles. This is money that will come from a reserve account of depreciation assessments.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 45

SENATOR LESLIE MOVED TO APPROVE THE PURCHASE OF THE 59 REPLACEMENT VEHICLES FOR A TOTAL COST OF \$1,306,645 OVER THE UPCOMING BIENNIUM.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR DENIS WAS ABSENT FOR THE VOTE.)

* * * * *

MS. BYERS:

The second major closing item in this account pertains to a new vehicle and a budget amendment. It is decision unit E-721.

E-721 New Equipment — Page ADMIN-54

The *Executive Budget* recommends the acquisition of one new vehicle in FY 2011-2012 to be assigned to the Department of Employment, Training and Rehabilitation at a cost of \$21,796.

In addition, a budget amendment has been received which seeks to start moving nonmanaged fleets to the Motor Pool Division. The Department of Administration has submitted Budget Amendment No. A00206 seeking to add five vehicles to decision unit E-721 which were originally included in the *Executive Budget* in other accounts.

On page 18 of [Exhibit C](#), there is a list describing the five vehicles and the agencies and decision units to which they were originally assigned. The accounts include the Public Utilities Commission, B/A 224-3920; the Colorado River Commission, B/A 296-4490; Business and Industry's Industrial Relations account, B/A 210-4680; and the Department of Motor Vehicles' Motor Vehicle Pollution Control account, B/A 101-4722.

PUC – Public Utilities Commission — Budget Page PUC-1 (Volume II)
Budget Account 224-3920

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 46

CRC – Colorado River Commission — Budget Page COLORADO RIVER COMM-1
(Volume III)
Budget Account 296-4490

B&I – Industrial Relations — Budget Page B&I-114 (Volume II)
Budget Account 210-4680

DMV – Motor Vehicle Pollution Control — Budget Page DMV-33 (Volume III)
Budget Account 101-4722

These recommendations appear reasonable to Fiscal Staff. Do the Committees wish to approve the purchase of one new vehicle, as currently included in the *Executive Budget*, and the purchase of five additional vehicles as recommended in Budget Amendment No. A00206 for a total of six vehicles funded with a contribution of revenue from depreciation assessments and reserves, for a total cost of \$38,889 in FY 2011-2012 and \$84,517 in FY 2012-2013?

CHAIR HORSFORD:

Before taking a motion on the second item, I would like Staff to discuss the third item.

MS. BYERS:

The third additional closing item concerns the budget amendment and a new decision unit, E-722.

E-722 – New Equipment

This item concerns Budget Amendment No. A00206. It includes the six vehicles that are included in the one-shot appropriations as established by S.B. 455, S.B. 457, and S.B. 460 as they are proposed to be amended. This would make the appropriation to the Motor Pool Division for the purchase of those six vehicles and include them as rental vehicles. The Department of Motor Vehicles would rent them from the Motor Pool Division.

Do the Committees wish to approve decision units E-721 and E-722 along with Budget Amendment No. A00206 as recommended?

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 47

CHAIR HORSFORD:

The motion would be to approve the second and third items as listed on page 18 and page 19 of [Exhibit C](#), including technical adjustments and the removal of the costs associated with the three bills if they are not approved.

SENATOR LESLIE MOVED TO APPROVE THE PURCHASE OF ONE NEW VEHICLE, CURRENTLY INCLUDED IN THE *EXECUTIVE BUDGET*, AND THE PURCHASE OF FIVE ADDITIONAL VEHICLES AS RECOMMENDED IN BUDGET AMENDMENT NO. A00206 FOR A TOTAL OF SIX VEHICLES, TO BE FUNDED WITH A CONTRIBUTION OF REVENUE FROM DEPRECIATION AND RESERVES, FOR A TOTAL COST OF \$38,889 IN FY 2011-2012 AND \$84,517 IN FY 2012-2013; TO APPROVE THE BUDGET AMENDMENT AS RECOMMENDED IN ORDER TO RECEIVE REVENUES FOR DEPRECIATION TOTALING \$7,302 IN FY 2011-2012 AND \$14,604 IN FY 2012-2013, WHICH WOULD BE PLACED IN RESERVES, PENDING THE AMENDMENT AND APPROVAL OF S.B. 455, S.B. 457 AND S.B. 460, FOR THE SIX VEHICLES RECOMMENDED IN THE THREE ONE-SHOT APPROPRIATIONS; TO GRANT AUTHORITY TO STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS FOR THE COST OF THE VEHICLES, IF NECESSARY; AND TO REMOVE THE COSTS ASSOCIATED WITH THE THREE BILLS IF THEY ARE NOT APPROVED.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR DENIS WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

* * * * *

Ms. BYERS:

The next account I will discuss is B/A 101-1015, the Hearings Division.

Administration – Hearings Division — Budget Page ADMIN-69 (Volume I)
Budget Account 101-1015

This account is described on page 20 of [Exhibit C](#). There are no major closing issues in this account.

There are three additional closing items. The first is decision unit E-710.

E-710 Equipment Replacement — Page ADMIN-72

This item recommends transfers from the Workers' Compensation and Safety Fund of \$9,426 in FY 2011-2012 and \$15,705 in FY 2012-2013 to replace 27 computers. Fiscal Staff has verified that the recommended replacement of the computers would be in accordance with the State's replacement policy.

The second additional closing item pertains to decision unit E-800.

E-800 Cost Allocation — Page ADMIN-72

The *Executive Budget* recommends a Workers' Compensation and Safety Fund transfer of \$24,873 in FY 2011-2012 and \$32,534 in FY 2012-2013 for the Hearings Division's share of DOA's proposed new centralized personnel services and PC/LAN technician cost allocations, and an adjustment to the existing Administrative Services Division cost allocation.

The next item is decision unit M-100.

M-100 Statewide Inflation — Page ADMIN-70

This item concerns the statewide cost allocation. In both FY 2009-2010 and FY 2010-2011, the actual statewide cost allocation assessed to the Hearings Division totaled \$61,162 per year. However, in the *Executive Budget*, the assessment for the statewide cost allocation for the 2011-2013 biennium has been eliminated. Fiscal Staff has confirmed that the *Executive Budget* is correctly stated and that the Hearings Division should not be assessed a statewide cost allocation for the 2011-2013 biennium.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 49

Staff recommends that this account be closed as recommended by the Governor, and requests authority to make technical adjustments for final departmental or statewide allocations and assessments.

SENATOR LESLIE MOVED TO APPROVE DECISION UNITS E-710, E-800 AND M-100 IN B/A 101-1015 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL OR STATEWIDE ALLOCATIONS AND ASSESSMENTS.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR DENIS WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

* * * * *

MS. BYERS:

I will now discuss B/A 287-4895, the Victims of Crime account. The closing sheet for this account is located on page 22 of [Exhibit C](#).

Administration – Victims of Crime — Budget Page ADMIN-74 (Volume I)
Budget Account 287-4895

There are no major closing items associated with this account. I will go over several informational items.

At the April 29, 2010, IFC meeting, Committee members requested that the Agency review the revenue sources in this account. At that meeting, DOA representatives indicated that the funding stream for the Victims of Crime account was projected to produce 5 percent less revenue than was forecasted. The largest decreases in revenue were in fines and forfeitures from the court system as well as wage assessments for restitution.

The Agency has budgeted revenues equivalent to those received in FY 2009-2010 with the exception of court assessments and the federal Victims of Crime grant. Court assessments are recommended to increase by approximately 7 percent over FY 2009-2010. The federal grant is budgeted to increase by 42 percent over the FY 2009-2010 actual revenue. In addition, the Victims of Crime program's ARRA funds have been exhausted. The Agency Administrator testified before the Joint Subcommittee on General Government budget hearing, held March 18, 2011, that the revenues recommended in the *Executive Budget* were adequate.

The Administrator also testified that he had not received any indication that the federal grant would decrease in the future.

Fiscal Staff has confirmed with the Agency that the amount recommended for court assessment revenues is accurate. No action is required by the Committees on this item. It has been included for informational purposes only.

The second item pertains to the outside contract that the Victims of Crime unit maintains in relation to examination and payment of claims. In June 2009, the Legislature issued a Letter of Intent to DOA expressing concern regarding the increased costs for the contractor providing claims administration services for the Victims of Crime program.

On October 29, 2009, a report was sent to the Assembly Committee on Ways and Means and the Senate Committee on Finance by the coordinator of the Nevada Victims of Crime program in response to the request for information written into the Letter of Intent. At the April 29, 2010, meeting, IFC expressed concern about the amount of money spent on the outside contractor to examine the hospital bills. The Committee asked the Agency to provide a report on the outcome of the negotiations with the contractor. An amendment to the contract was recently submitted to the Budget Division and the Agency expects the contract amendment to be presented at the Board of Examiners meeting in May 2011.

While the proposed amendment decreases the total contract amount from \$6 million for four years to \$4.56 million, the actual monthly payment of \$95,000 that has been made since the contract started in December 2008 has not been reduced.

It appears to Fiscal Staff that the contract is only being reduced by a contingency amount. The Agency is currently paying \$1.14 million per year for these services.

Testimony provided by the Agency Administrator and the Director of DOA at the Joint Subcommittee on General Government budget hearing held on March 18, 2011, indicates that the existing contract was similar to that given to third-party administrators used in other agencies to process medical claims. It was also indicated that the services provided by the contractor in negotiating the payment for claims for medical expenses were saving the State a significant amount of money, allowing 100 percent payment of claims with the funding resources available. No action is required by the Committees on this item.

The next item is decision unit E-800.

E-800 Cost Allocation — Page ADMIN-77

This item recommends funding from reserves in the amount of \$1,705 in FY 2011-2012 and \$2,031 in FY 2012-2013 for the various DOA cost allocations including the new centralized personnel services and the PC/LAN technician cost allocation, and an adjustment to the existing Administrative Services Division cost allocation.

The next additional closing item is M-100.

M-100 Statewide Inflation — Page ADMIN-75

In both FY 2009-2010 and FY 2010-2011, the actual statewide cost allocation assessed to the Victims of Crime program totaled \$4,327 per year. However, in the *Executive Budget*, the assessment for the statewide allocation has been eliminated for the 2011-2013 biennium. Fiscal Staff has confirmed that the *Executive Budget* is correctly stated and that the Victims of Crime account should not be assessed the statewide cost allocation.

The final item, for informational purposes only, concerns reserves. Forty-five days worth of operating expenses has been determined as the appropriate reserve level for this account. The *Executive Budget* recommends reserves of \$1.27 million in FY 2011-2012 and \$1.6 million in FY 2012-2013.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 52

Fiscal Staff calculates that a 45-day reserve should be \$1,135,416 in FY 2011-2012 and \$1,137,781 in FY 2012-2013. The Agency has indicated that a work program will be completed to move funding out of reserves if excess reserves are needed to pay claims.

Staff recommends that this account be closed as recommended by the Governor and requests authority to make technical adjustments for final departmental or statewide allocations and assessments.

CHAIR HORSFORD:

I will accept a motion to approve the Staff's recommendation to close this account.

SENATOR RHOADS MOVED TO CLOSE B/A 287-4895 AS RECOMMENDED BY THE GOVERNOR; AND TO GRANT AUTHORITY TO STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL OR STATEWIDE ALLOCATIONS AND ASSESSMENTS.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR DENIS WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

MR. COMBS:

I have retrieved some additional information on the funding for the Governor's Advisory Council on Holocaust Education. Would it be acceptable to bring that forward at this time?

CHAIR HORSFORD:

Please do.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 53

MR. COMBS:

The discussion of this item can be found on page 6 of [Exhibit C](#). This involves a budget amendment which would add a \$15,000 appropriation for the Governor's Advisory Council on Holocaust Education. The 2007 Legislature approved General Fund appropriations totaling \$75,000 per year as pass-through funding through the Administration account of Department of Cultural Affairs to the Governor's Advisory Council on Holocaust Education.

This money was used for the Sperling Mack Kronberg Holocaust Library and Resource Center in southern Nevada. The main goal of that facility is to educate the public, particularly schoolteachers, about the Holocaust so that they can use that information in classrooms.

In the budget reductions that occurred during the 2007-2009 biennium, the \$75,000 was reduced to approximately \$71,600 in FY 2007-2008 and then was reduced further to approximately \$68,600 in FY 2008-2009. In the 2009 Session, the Governor's recommendation was to eliminate all of the General Fund money for the program. The 2009 Legislature approved that elimination. There was direction from the Legislature to add back \$40,000 in authority for each year of the current biennium. There was some hope that there would be remaining ARRA funding or some type of Department of Education funding that might be diverted towards this purpose.

It appears that there was never a transfer from the Department of Education to the Governor's Advisory Council on Holocaust Education. Although the authority is in their budget, there has not been any source to provide the funding for that authority. Currently, it does not appear that the program is receiving any funding from the State. Prior to the budget reductions, however, there had been an appropriation of \$75,000 per year.

CHAIR HORSFORD:

As I recall, in 2009, there was a federal grant outside of the General Fund that allowed them to continue the program, even without State support. That is why I am concerned.

I appreciate the restoration of the \$15,000 in each year, but I do not think that it is enough. We should consider funding in the amount of \$30,000 for each

year, representing closer to one-half of what was previously provided before we reduced it after the 2007 Legislative Session.

This is not a significant amount of money in relation to the rest of the budget but it does represent a significant amount of money for the program. This is an important issue and it involves training for teachers. I believe that there is a component whereby the teachers who go through the Holocaust education training share that information with other teachers statewide.

We must teach our students about the past or we are doomed to repeat it.

SENATOR CEGAVSKE:

Mr. Combs, I would like you to clarify something for me. Did you say that money was appropriated in the Department of Education budget but that it had not been used?

MR. COMBS:

In closing the budget in 2009, there was some concern about eliminating all of the funding. We were, at that time, in the process of receiving ARRA funding. I believe that the Legislature hoped that there would be an ability to take some of the federal funding that the Department of Education was going to receive and use that to provide pass-through funding to the Governor's Advisory Council on Holocaust Education. That funding source was never specifically identified, however, and so we built the authority into the Department of Cultural Affairs budget so that, if money did become available, they would be able to accept it and then pass it through. In reality, the source of the funding was never identified.

SENATOR CEGAVSKE:

So the Department of Education was to pass that money through to the Department of Cultural Affairs?

MR. COMBS:

They would have been directed to do so if a funding source had been identified. To my knowledge, there was never any funding source identified that was available for that use.

Nothing was ever built into the Department of Education's budget regarding this pass-through. It would only have been identified if they had received a funding source that was not in their original budget that could possibly be used for this purpose. Authority was made available.

SENATOR CEGAUSKE:

Did we verify with the Department of Education that they never found any funding that might have been used for this purpose? It could have been part of discretionary spending.

MR. COMBS:

They were never directed to use funds that they were already receiving for this purpose. Having only received the budget amendment this past week, we have not been able to investigate their circumstances. The transfer would have been based solely on the availability of extra ARRA funding. That money would also need to have been eligible for this use.

CHAIR HORSFORD:

This description fits my recollection. This item was an issue in 2009. I remember that the Speaker of the Assembly, Barbara Buckley, and others raised concern because the money would pass through the Department of Cultural Affairs but we had ARRA money being directed to the Department of Education. The request was to ask the Department of Education to try to cover these costs with that money.

The point is that we went from State General Fund support in 2007 to no support in 2009, partly because we expected it to be covered by sources outside of the General Fund. Now we are back to trying to decide on an appropriate level. There is a recommendation from the Governor to restore \$15,000 in each year, which is a good start, but it is not enough based on the previous funding of about \$68,000.

My suggestion is that we push the funding to an appropriate level that allows this program to be sustained. Teacher education on the Holocaust is important. I would like to have more discussion about this and then I will frame a motion that I would be willing to accept.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 56

ASSEMBLYMAN GOICOECHEA:

Did the program continue last year? I believe that it continued to operate, even without State funds.

MR. COMBS:

I am not familiar with the program. It is not something for which we currently have a State budget. No one in the Fiscal Analysis Division would be examining this item as part of their caseload. Pass-through funding was approved in the past, but this did not require that the program have its own budget.

ASSEMBLYMAN GRADY:

Some money has been going to this program from somewhere. I know that my daughter, who is a teacher, went through it and praised it as a tremendously effective program. I know that they currently have training available in Las Vegas.

CHAIR HORSFORD:

There is private funding beyond what is provided. The State support is not the only money that they receive, but it is an important component that they use to get other private donors. I have spoken to the members of the Governor's Advisory Council on Holocaust Education. There are available funds. They have tried to sustain the program to some degree, but I do not believe that they are offering it to as many teachers as they have in the past.

SENATOR CEGAVSKE:

I agree with Chair Horsford.

My main questions are about costs. How many teachers are we processing through this program? When do they receive the training? How are they selected? I think that, in order to do this program any justice, we would need to know more about it. Maybe \$15,000 a year is enough. We are not told everything we should know about the program. Have most of the teachers in the State already received the training?

I would like to know more specifics about the program before I can assess its needs.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 57

CHAIR HORSFORD:

I appreciate that point of view. We are talking about a relatively nominal amount of money, however. My sense is that we should seek to bring at least half of what we have provided in previous years which, according to our Staff, was \$68,000 in 2007.

I will entertain a motion to close this item with a \$30,000 appropriation in each year of the biennium for the Governor's Holocaust Advisory Council.

SENATOR LESLIE MOVED TO APPROVE THE PROPOSED BUDGET AMENDMENT TO PROVIDE \$30,000 IN EACH YEAR OF THE 2011-2013 BIENNIUM TO THE GOVERNOR'S ADVISORY COUNCIL ON HOLOCAUST EDUCATION IN B/A 101-1301.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

ASSEMBLYMAN AIZLEY:

I believe that representatives from the Jewish Federation of Las Vegas were at the Legislature about six weeks ago. They discussed something about matching funds, but I do not have specifics about that possibility.

SENATOR KIECKHEFER:

I will support the motion. I believe that it is critical for us to continue to be educated about the history of this issue.

I agree with Senator Cegavske, however. It would be helpful for me, especially as a new Committee member, to learn more about what we are trying to accomplish.

ASSEMBLYWOMAN MASTROLUCA:

I would like to let the Committee know that there is a Website for this program. It can be found at <http://NVholocausteducation.org>. It lists information about the trainings and the number of trainings they provide. It contains a great deal of information. This is a good way to educate ourselves on what is being done through these efforts.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 58

CHAIR HORSFORD:

I would like to ask the maker of the motion if we can include a letter of intent requiring a report on how many teachers will be covered and what types of match private-sector dollars will be available. I would like to know more about how many teachers have gone through the program and if this represents a release date for professional development. I would like to have that information to provide to the Committees.

ASSEMBLYMAN GOICOECHEA:

I will support this motion for a \$30,000 add-back because of the importance of the program. We must be careful, however, as we start adding things back.

CHAIR HORSFORD:

We are at a point in the Session where we will begin closing budgets. This is a measure that goes towards education.

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 59

This represents an overall total of \$60,000 for the biennium. It is doubling what is recommended by the Governor.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN OCEGUERA WAS ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED (SENATOR DENIS WAS ABSENT FOR THE VOTE.)

BUDGET CLOSED.

* * * * *

CHAIR HORSFORD:
This meeting is adjourned at 10:22 p.m.

RESPECTFULLY SUBMITTED:

Wade Beavers,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE: _____

Assemblywoman Debbie Smith, Chair

DATE: _____

Senate Committee on Finance
Assembly Committee on Ways and Means
May 2, 2011
Page 60

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Jennifer Byers/LCB	Closing List #5