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

Seventy-sixth Session
May 10, 2011

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chairwoman Debbie Smith at 8:18 a.m. on Tuesday, May 10, 2011, in Room 4100 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 C. 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 Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblyman Randy Kirner
Assemblywoman April Mastroluca

Assemblyman John Oceguera

STAFF MEMBERS PRESENT:

Jennifer Byers, Program Analyst
Michael J. Chapman, Principal Deputy Fiscal Analyst
Rick Combs, Assembly Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Teri Sulli, Program Analyst
Patricia O'Flinn, Committee Secretary

OTHERS PRESENT:

Terry Johnson, Director, Department of Business & Industry
Jim Richardson, Nevada Faculty Alliance
Peggy Bohn
John Kinney
Vishnu Subramaniam, Chief of Staff, American Federation of State, County and Municipal Employees, Local 4041
Kevin Ranft, American Federation of State, County and Municipal Employees, Local 4041
Ron Bratsch, American Federation of State, County and Municipal Employees, Local 4041
Danny Thompson, American Federation of Labor-Congress of Industrial Organizations
Gene Columbus, President, Nevada Corrections Association
Jan Gilbert, Progressive Leadership Alliance of Nevada
Jane Kichner
Dana Bilyeu, Executive Officer, Public Employees' Retirement System
Stephanie Day, Deputy Director, Budget Division, Department of Administration

CHAIRWOMAN SMITH:
We will open the joint meeting of the Senate Committee on Finance and Assembly Ways and Means Committees.

TERI SULLI (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
We are working from Closing List #15 (Exhibit C). The first item today is budget account (B/A) 503-3841 on page 9 of Exhibit C.

COMMERCE AND INDUSTRY

BUSINESS AND INDUSTRY

B&I – Housing Division — Budget Page B&I-167 (Volume II)
Budget Account 503-3841

There is one major closing issue in this budget account which is the merging of the Manufactured Housing Division (MHD) into the Nevada Housing Division (NHD). The Agency indicates the proposed merger will improve public service and allow cross-training of employees to service both industries. The merger would include the reclassification of the MHD administrator to a deputy administrator, creating a savings of approximately $6,800 each year of the biennium. The merger would not result in the elimination of the Manufactured Housing account through which revenues and expenditures would continue to be tracked. This merger was also recommended during the 2009 Legislative Session, but it was not approved due to opposition from industry representatives and the previous MHD administrator.

During the budget hearings on March 25, 2011, the Joint Subcommittee on General Government expressed concerns about the industries' opinion on the proposed merger. In response to inquiries by Staff, the Agency indicated that the MHD administrator and the NDH chief of federal programs met with representatives from the Nevada Association of Manufactured Homeowners (NAMH) and Manufactured Homes Community Owners (MHCO). Those meetings revealed that NAMH was opposed to the merger citing no overlap between the concerns of MHD and NHD. However, MHCO are neutral on the decision.

Additionally, Assembly Bill (A.B.) 518 effectuates the Governor's recommendation to merge MHD with NHD. Within A.B. 518 is a fiscal note including a projected savings of approximately $23,956 in each year of the biennium related to legal costs and rent expense. Further communication indicated these costs would be picked up by MHD. The only savings realized by the merger would be the estimated $6,800 each year related to the reclassification of the MHD administrator to a deputy administrator.

ASSEMBLY BILL 518: Consolidates the Manufactured Housing Division of the Department of Business and Industry within the Housing Division of the Department. (BDR 18-1224)

ASSEMBLYMAN BOBZIEN MOVED TO GRANT STAFF THE AUTHORITY TO CLOSE B/A 503-3841 AND ADJUST THE MHD AND NHD ACCOUNTS BASED ON THE FINAL ACTION TAKEN ON A.B. 518.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
The other closing items for B/A 503-3841 are listed on page 10 of Exhibit C. The first item is the Governor's recommendation of American Recovery and Reinvestment Act of 2009 (ARRA) Tax Credit Assistance Program (TCAP) funds of approximately $3.98 million in fiscal year (FY) 2011-2012. However, the Agency indicated that as a result of the TCAP funds being expended at a faster rate than originally estimated, only $34,000 is anticipated to be available in FY 2011-2012. Fiscal Staff has adjusted this closing document to eliminate the ARRA TCAP authority of $3,945,899 in FY 2011-2012 to appropriately reflect the available ARRA TCAP funds.

The next item is the elimination of two administrative assistant positions held vacant during the 2009-2011 biennium in decision unit M-160. This results in an increase of $173,555 to reserves over the 2011-2013 biennium. This appears reasonable to Staff.

M-160 Position Reductions Approved During Biennium — Page B&I-169

The final closing item is the Department of Business and Industry (B&I) and the Department of Administration cost allocations in decision units M-800 and E-800.

M-800 Cost Allocation — Page B&I-169

E-800 Cost Allocation — Page B&I-171

These decision units recommend $53,752 in FY 2011-2012 and $67,937 in FY 2012-2013 to support the NHD share of the B&I cost allocation and the Department of Administration's cost allocation, as a result of the proposed centralization of fiscal functions in B&I and proposed centralization of personnel services in the Department of Administration's new Division of Human Resource Management. This appears reasonable to Staff.

> SENATOR RHOADS MOVED TO GRANT AUTHORITY TO STAFF TO ADJUST B/A 503-3841 BASED ON THE FINAL CLOSING ACTIONS OF THE B&I ADMINISTRATION ACCOUNT, B/A 101-4681, AND TO CLOSE THE REMAINDER OF B/A 503-3841 AS RECOMMENDED BY THE GOVERNOR, WITH TECHNICAL ADJUSTMENTS AS RECOMMENDED BY STAFF.
>
> ASSEMBLYMAN HARDY SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA AND OCEGUERA WERE ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)
>
> BUDGET CLOSED.

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MS. SULLI:
The next item is B/A 101-3838.

B&I – Low Income Housing Trust Fund — Budget Page B&I-174 (Volume II)
Budget Account 101-3838

The Committees have not previously reviewed this budget account. Staff is responsible for developing closing recommendations for this account. There are no major closing issues. The only closing item is the recommendation of a decrease in the Low Income Housing Trust Fund share of the B&I and the Department of Administration cost allocations. Decision units M-800 and E-800 will result in approximate savings of $2,000 each year of the biennium.

M-800 Cost Allocation — Page B&I-176

E-800 Cost Allocation — Page B&I-177

SENATOR CEGAVSKE MOVED TO CLOSE B/A 101-3838 AS RECOMMENDED BY THE GOVERNOR AND GRANT STAFF AUTHORITY TO ADJUST THIS BUDGET BASED ON FINAL CLOSING ACTIONS OF THE B&I ADMINISTRATION ACCOUNT.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. SULLI:
The next item is B/A 101-3839.

B&I – Special Housing Assistance — Budget Page B&I-179 (Volume II)
Budget Account 101-3839

The Committees have not previously heard this account. There are no major closing issues. This account contains the State of Nevada's share of the Neighborhood Stabilization Program (NSP) funding included in ARRA. All NSP funds will be expended by the end of FY 2010-2011. The Governor recommends the remaining administrative funds of $1.1 million in FY 2011-2012 and $842,444 in FY 2012-2013 be authorized to all the Division and subgrantees to close out the NSP grant in the 2011-2013 biennium. Staff recommends this account be closed as recommended by the Governor.

ASSEMBLYMAN HARDY MOVED TO CLOSE B/A 101-3839 AS RECOMMENDED BY THE GOVERNOR.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HICKEY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. SULLI:
The next item is B/A 101-4865.

B&I – Weatherization — Budget Page B&I-182 (Volume II)
Budget Account 101-4865

There are no major closing issues within this account. There is an informational item regarding the elimination of the Low Income Home Energy Assistance (LIHEA) program transfer from the Welfare Division. In 2007, the Welfare Division and NHD entered into an interlocal agreement in which the Welfare Division transferred 5 percent of LIHEA funding to NHD for weatherization activities. The LIHEA funds received by the Welfare Division decreased from $18 million in federal fiscal year (FFY) 2010 to $9.9 million in

FFY 2011 resulting in the Division's inability to continue the transfer to NHD. Additionally, NHD was awarded ARRA funds of approximately $37 million for the period April 2009 through March 2012. The NHD indicates that 56 percent of the federal award has been expended through January 2011, and it is not anticipated the subgrantees will spend all the funding in 2011. Therefore, there is an $8.7 million carryforward into FY 2011-2012.

> SENATOR KIECKHEFER MOVED TO CLOSE B/A 101-4865 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT STAFF AUTHORITY TO ADJUST THIS BUDGET BASED ON THE FINAL CLOSING ACTIONS OF THE B&I ADMINISTRATION ACCOUNT.
>
> ASSEMBLYMAN HOGAN SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN CONKLIN, GOICOECHEA, HICKEY AND OCEGUERA WERE ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)
>
> BUDGET CLOSED.

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MS. SULLI:
The next item for consideration is on page 19 of Exhibit C, B/A 271-3814.

B&I – Manufactured Housing — Budget Page B&I-190 (Volume II)
Budget Account 271-3814

There are three major closing issues within this account. The first one is the consolidation of the MHD accounts. The Governor recommends the consolidation of B/A 630-3842, B/A 271-3843 and B/A 271-3847 into this account, B/A 271-3814.

B&I – Mobile Home Lot Rent Subsidy — Budget Page B&I-201 (Volume II)
Budget Account 630-3842

B&I – Mobile Home Parks — Budget Page B&I-206 (Volume II)
Budget Account 271-3843

B&I – Mfg Housing Education/Recovery — Budget Page B&I-211 (Volume II)
Budget Account 271-3847

The consolidation of the four accounts includes the transfer of four full-time equivalent (FTE) positions, the associated operating costs, revenue and reserve balances. Additionally, the *Executive Budget* includes four corresponding decision units, E-500, E-501, E-502 and E-503, which make adjustments for the alignment of revenues and expenditures in the MHD account in accordance with the transfers and allocated costs.

E-500 Adjustments to Cost Allocation Transfers — Page B&I-192

E-501 Adjustments to Transfers in E-901 — Page B&I-193

E-502 Adjustments to Transfers in E-902 — Page B&I-193

E-503 Adjustments to Transfers in E-903 — Page B&I-194

The Agency indicates the consolidation of the four accounts will allow the Division to utilize staff and resources in a more efficient and effective manner, eliminate the need for an MHD cost allocation plan and improve the accuracy of budgeted expenditure estimates. They also indicated that, if the consolidation of the four accounts is approved, they would continue to track the various funding sources and expenditures through specific budget categories and individual document coding available in the State Controller's accounting system.

While consolidating the budget accounts will eliminate the need to transfer funds from one budget account to another, Agency Staff would still be required to track their time and effort to ensure the correct mix of revenue sources is used to pay for specific expenditures. Additionally, the consolidation of the four accounts would increase the number of revenue general ledger (GL) accounts from 9 to 15, but would only increase expenditure GL accounts from 12 to 14. Accordingly, consolidating accounts does not necessarily improve transparency. While the recommendation reduces the number of accounts to be managed, it increases the complexity of the transactions within the single budget account.

The Committees should note that each of the four individual MHD accounts appear to exist for a specific statutory purpose with a specific fund. The details of these are listed on pages 20 and 21 of Exhibit C. If the Committees approve the Governor's recommendation to consolidate the four accounts, legislation would be required to change the funds and account structure currently provided for in statute. Fiscal Staff would suggest the Agency has not presented compelling justification for the recommended consolidation of the four budget accounts into a single account, nor has the Agency identified any significant savings to be attained through the consolidation.

CHAIRWOMAN SMITH:
This would require legislation and none has been introduced, and there is no savings. If we do not have a bill, and a bill is necessary, is there interest in accomplishing this?

MS. SULLI:
The Agency introduced a bill to accrue interest in each of these accounts. In that recommendation, they mentioned the consolidation but it was not in the bill. Upon initial communication with Fiscal Staff, the need for legislation was not clearly determined.

RICK COMBS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
Fiscal Staff believes legislation is required to make the consolidation work, however, that should not be the overriding reason not to approve the consolidation. The Fiscal Division does not understand the purpose of the consolidation. There is no cost savings and the separate accounts exist for separate purposes in statute.

CHAIRWOMAN SMITH:
I agree. I do not see savings or justification for this consolidation.

ASSEMBLYWOMAN MASTROLUCA MOVED TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO CONSOLIDATE B/A 630-3842, B/A 271-3843 AND B/A 271-3847 INTO B/A 271-3814.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLYMAN BOBZIEN:
Without a compelling need, I see no reason to do this.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, HICKEY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
The next major closing issue in B/A 271-3814 is the merging of MHD into NHD which was discussed in the NHD account, B/A 503-3841. If the merger is approved, the MHD administrator will be reclassified to a deputy administrator in decision unit E-811. If the merger is not approved, the decision unit will not be needed.

E-811 Unclassified Changes — Page B&I-196

ASSEMBLYMAN HAMBRICK MOVED TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO B/A 271-3814 AND DECISION UNIT E-811 BASED ON THE OUTCOME OF A.B. 518.

SENATOR KIECKHEFER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, HICKEY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
The third major closing issue is the elimination of a total of seven positions. Decision unit E-606 eliminates two vacant administrative assistant positions and two vacant housing inspector positions.

E-606 Staffing and Operating Reductions — Page B&I-194

The elimination of these four positions results in an increase of approximately $372,000 to the reserve category over the biennium. The Agency indicates there would be no negative impact from the elimination of these positions. Additionally, in decision unit E-607, the Governor recommends the elimination of one vacant compliance investigator position and two administrative assistant positions that are currently filled.

E-607 Staffing and Operating Reductions — Page B&I-194

These three position eliminations would result in an increase of approximately $294,000 to the reserve category over the biennium. The compliance investigator position has been vacant since 2010. The Agency indicates the elimination of this position may result in delays in investigation, but they anticipate the two remaining compliance investigator positions can manage the current workload. The elimination of the two filled administrative assistant positions will create additional work for remaining staff. However, the Agency recognizes that budget reductions are unavoidable since adequate reserves must be maintained to conduct business. If approved, the elimination of these seven positions would result in a reserve balance for MHD of approximately $570,000 at the end of FY 2012-2013 which is the equivalent of approximately nine months of operating expenses. The reserve estimate is independent of the recommendation to merge the other three accounts into this one account.

> SENATOR RHOADS MOVED TO APPROVE DECISION UNITS E-606 AND E-607 IN B/A 271-3814 AS RECOMMENDED BY THE GOVERNOR.
>
> ASSEMBLYMAN HARDY SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, HICKEY AND OCEGUERA WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
There are two other closing items in B/A 271-3814. Decision units M-800 and E-800 recommend reserve funding of $28,684 in FY 2011-2012 and $36,190 in FY 2012-2013 to support MHD's share of the cost allocation resulting from the proposed centralization of fiscal functions in B&I and personnel services in the Division of Human Resource Management.

M-800 Cost Allocation — Page B&I-192

E-800 Cost Allocation — Page B&I-196

Decision unit E-971 recommends an increase to the reserve in the amount of $69,891 in FY 2011-2012 and $93,460 in FY 2012-2013 in conjunction with the transfer of one administrative services officer position and associated operating costs as a result of the planned centralization of fiscal functions in B&I.

E-971 Trans ASO From Manufactured Housing to Administrat — Page B&I-199

ASSEMBLYMAN HARDY MOVED TO APPROVE DECISION UNITS M-800, E-800 AND E-971 IN B/A 271-3814, AND TO GRANT STAFF AUTHORITY TO ADJUST THIS BUDGET BASED ON FINAL DECISIONS AT THE CLOSING OF THE B&I ADMINISTRATION ACCOUNT.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
The next item is the Mobile Home Lot Rent Subsidy account. The Governor recommends the consolidation of this account, B/A 630-3842, into B/A 271-3814, the Manufactured Housing account.

> ASSEMBLYMAN HARDY MOVED TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO B/A 630-3842 AND TO ELIMINATE DECISION UNITS IF NECESSARY IN CONJUNCTION WITH THE CLOSING ACTIONS REGARDING THE TRANSFER OF B/A 630-3842 INTO B/A 271-3814.
>
> SENATOR LESLIE SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)
>
> SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
In addition, decision unit M-800 for the B&I cost allocation appears reasonable to Staff.

M-800 Cost Allocation — Page B&I-203

> SENATOR LESLIE MOVED TO APPROVE DECISION UNIT M-800 AND TO GRANT STAFF AUTHORITY TO ADJUST B/A 630-3842 BASED ON FINAL DECISIONS AT THE CLOSING OF THE B&I ADMINISTRATION ACCOUNT.
>
> ASSEMBLYMAN HOGAN SECONDED THE MOTION.
>
> ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. SULLI:
The next budget account is Mobile Home Parks, B/A 271-3843, on page 25 of Exhibit C.

B&I – Mobile Home Parks — Budget Page B&I-206 (Volume II)
Budget Account 271-3843

The major closing item is the transfer of this account to the Manufactured Housing account in decision unit E-902.

E-902 Transfer Mobile Home Parks to Manufactured Housing — Page B&I-209

SENATOR KIECKHEFER MOVED TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO B/A 271-3843 AND TO ELIMINATE DECISION UNITS IF NECESSARY IN CONJUNCTION WITH THE CLOSING ACTIONS REGARDING THE TRANSFER OF B/A 271-3843 INTO B/A 271-3814.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. ((ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
In addition, decision unit M-800 for the B&I cost allocation appears reasonable to Staff.

M-800 Cost Allocation — Page B&I-208

SENATOR CEGAVSKE MOVED TO APPROVE DECISION UNIT M-800 AND TO GRANT STAFF AUTHORITY TO ADJUST B/A 271-3843 BASED ON FINAL DECISIONS AT THE CLOSING OF THE B&I ADMINISTRATION ACCOUNT.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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MS. SULLI:
The next closing item is B/A 271-3847.

B&I – Mfg Housing Education/Recovery — Budget Page B&I-211 (Volume II)
Budget Account 271-3847

The major closing item is the transfer of this account to the Manufactured Housing account in decision unit E-903.

E-903 Trans Education & Research to Manufactured Housing — Page B&I-214

ASSEMBLYMAN GRADY MOVED TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO B/A 271-3847 AND TO ELIMINATE DECISION UNITS IF NECESSARY IN CONJUNCTION WITH THE CLOSING ACTIONS REGARDING THE TRANSFER OF B/A 271-3847 INTO B/A 271-3814.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

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MS. SULLI:
In addition, decision unit M-800 for the B&I cost allocation appears reasonable to Staff.

M-800 Cost Allocation — Page B&I-213

SENATOR CEGAVSKE MOVED TO APPROVE DECISION UNIT M-800 AND TO GRANT STAFF AUTHORITY TO ADJUST B/A 271-3847 BASED ON FINAL DECISIONS AT THE CLOSING OF THE B&I ADMINISTRATION ACCOUNT.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA AND HICKEY WERE ABSENT FOR THE VOTE.)

SENATE: THE MOTION CARRIED. (SENATORS HORSFORD AND PARKS WERE ABSENT FOR THE VOTE.)

BUDGET CLOSED.

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JENNIFER BYERS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
I will start with B/A 101-4683.

<u>B&I – Industrial Development Bonds</u> — Budget Page B&I-187 (Volume II)
Budget Account 101-4683

There are two major closing issues in this account. The first is the elimination of the transfer of Volume Cap Fees totaling $263,000 for the biennium to the Director's Office in decision unit E-250.

E-250 Economic Working Environment — Page B&I-188

The elimination of this transfer is due to fee revenues not being realized as expected and the depletion of reserves to pay legal fees for the Las Vegas Monorail bankruptcy case. It is projected that the Agency will have spent $681,586 through the end of FY 2010-2011 for outside legal counsel associated with the bankruptcy case. It is anticipated the cash balance of this account will be $8,139 at the end of this fiscal year. The elimination of this transfer will increase the amount of costs allocated to the various agencies within B&I since the Volume Cap Transfer Fees defray some of the operating costs that are allocated to B&I agencies. Fiscal Staff believes the elimination of this transfer is reasonable.

SENATOR CEGAVSKE MOVED TO APPROVE THE ELIMINATION OF THE TRANSFER OF THE VOLUME CAP FEES FROM B/A 101-4683 IN DECISION UNIT E-250.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

CHAIRWOMAN SMITH:
Will an agency representative update the Committees about the Las Vegas Monorail bankruptcy case?

TERRY JOHNSON (Director, Department of Business & Industry):
Regarding the expenses that have been incurred for the monorail engagement, I have spoken with the Attorney General's (AG) Office about assuming representation of B&I in this matter. I have asked the AG to submit a letter to the outside law firm to let them know the AG's office will be the exclusive legal representative of B&I concerning the bankruptcy of the Las Vegas Monorail. I do not anticipate the same high level of legal expenses going forward.

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

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MS. BYERS:
The second major closing issue for B/A 101-4683 is the recommendation to eliminate three revenue sources for the 2011-2013 biennium. The three revenue sources include $50,000 each year for the Monorail Bond Fees, $115,000 for the Direct Bond Fees, as well as $497,027 in reimbursement funding received in FY 2010-2011 from the Bond Indemnification account for the Las Vegas Monorail bankruptcy case to offset legal expenses incurred by B&I. The primary funding source for this account is now the Volume Cap Fee which is recommended at $131,500 for each year of the biennium. However, the $131,500 currently recommended for each year appears to overstate the funds available in the *Executive Budget*. The fee calculation is based on $500 per $1 million of the total State ceiling of $263,000,000 for the Volume Cap for Private Activity Bonds. The Director's Office share of the fees should be based on 50 percent of the State ceiling, as the other 50 percent is directed to local governments as set forth in *Nevada Revised Statute* (NRS) 348A.020 (2).

The Internal Revenue Service's state ceiling for the Volume Cap for Private Activity Bonds for calendar year 2011 is set at $277,820,000. For calendar year 2010, the cap was set at $273,775,000. Based on the 2011 state ceiling, the State's 50 percent allocation would be $138,910,000, and the resulting Volume Cap Fees would be $69,455 in FY 2011-2012 and FY 2012-2013. The chart on page 18 of Exhibit C shows the amount of Volume Cap Fees received and transferred to the B&I Administration account from FY 2006-2007 through FY 2009-2010. Fiscal Staff has adjusted the revenues for the Volume Cap Transfer Fees and reserves from $131,500 to $69,455 each year of the biennium based on the calendar year 2011 ceiling.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE ADJUSTMENT FISCAL STAFF HAS MADE TO THE VOLUME CAP TRANSFER FEE REVENUES FROM THE $131,500 RECOMMENDED BY THE GOVERNOR TO $69,455 FOR EACH YEAR OF THE BIENNIUM.

SENATOR KIECKHEFER SECONDED THE MOTION.

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

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MS. BYERS:
There is one other closing item regarding the reserves in this account. The reserves recommended in the *Executive Budget* are overstated as a result of work programs approved at the February 3, 2011, Interim Finance Committee (IFC) meeting. Staff has adjusted reserves and amounts balanced forward each year for the 2011-2013 biennium because of two FY 2010-2011 work programs. Work Program C20548 was approved to reduce revenues that will not be realized in FY 2010-2011 and Work Program C20279 was approved by IFC to transfer $176,000 from reserves to pay for legal expenses for the Las Vegas Monorail bankruptcy case. With these two adjustments, the reserves balance at the end of FY 2012-2013 is projected to be $138,910.

The Committees may wish to issue a letter of intent to B&I which would require quarterly reports to IFC on the status of the Las Vegas Monorail bankruptcy case, and report on proposed future projects that may be considered to be financed with Industrial Development Bonds.

ASSEMBLYMAN OCEGUERA MOVED TO APPROVE THE ADJUSTMENT FISCAL STAFF HAS MADE TO RESERVES BASED ON THE TWO WORK PROGRAMS APPROVED IN FY 2010-2011 WHICH DECREASE THE RESERVE LEVELS TO $76,172 IN FY 2011-2012 AND $138,910 IN FY 2012-2013, AND TO ISSUE A LETTER OF INTENT REQUIRING QUARTERLY REPORTS TO IFC ON THE STATUS OF THE LAS VEGAS MONORAIL BANKRUPTCY CASE AND TO REPORT ON FUTURE PROJECTS THAT MAY BE CONSIDERED TO BE FINANCED WITH INDUSTRIAL DEVELOPMENT BONDS. THE REPORT SHOULD ALSO INCLUDE PROJECTED REVENUES AND EXPENDITURES FOR B/A 101-4683.

SENATOR LESLIE SECONDED THE MOTION.

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

SENATE: THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIRWOMAN SMITH:
I will turn the gavel over to Chair Horsford.

MS. BYERS:
The next item for consideration is B/A 101-4681.

B&I – Business and Industry Administration — Budget Page B&I-1 (Volume II)
Budget Account 101-4681

The first major closing issue in this budget account is the centralization of fiscal, information technology (IT) and licensing functions for the Department. The chart on page 2 of Exhibit C outlines the transfer of 14 FTEs from various B&I agencies into the Administration account. The *Executive Budget* currently recommends a net General Fund increase of $128,396 for the 2011-2013 biennium compared to the 2009-2011 biennium as a result of the centralization. The major fiscal impact of the recommended centralization is an increase to the Director's Office cost allocation of $2.7 million for the 2011-2013 biennium compared to the 2009-2011 biennium. This increase is accomplished through the 16 companion E-500 decision units that realign funding for the positions transferred in the E-900 decision units into the B&I Administration cost allocation pool, versus how they were funded in the Agency from which they were transferred.

E-510 Adjustments to Transfers in E-910 — Page B&I-4

E-511 Adjustments to Transfers in E-911 — Page B&I-4

E-520 Adjustments to Transfers in E-970 — Page B&I-5

E-521 Adjustments to Transfers in E-971 — Page B&I-5

E-522 Adjustments to Transfers in E-972 — Page B&I-5

E-523 Adjustments to Transfers in E-973 — Page B&I-6

E-524 Adjustments to Transfers in E-974 — Page B&I-6

E-525 Adjustments to Transfers in E-975 — Page B&I-6

E-526 Adjustments to Transfers in E-976 — Page B&I-7

E-527 Adjustments to Transfers in E-977 — Page B&I-7

E-528 Adjustments to Transfers in E-978 — Page B&I-7

E-529 Adjustments to Transfers in E-979 — Page B&I-8

E-539 Adjustments to Transfers in E-989 — Page B&I-8

E-540 Adjustments to Transfers in E-990 — Page B&I-9

E-545 Adjustments to Transfers in E-995 — Page B&I-9

E-546 Adjustments to Transfers in E-996 — Page B&I-9

E-910 Trans IT Position frm Insurance Reg to Administrat — Page B&I-12

E-911 Trans Info Tech frm Industrial Relations to Admin — Page B&I-12

E-970 Trans Budget Positions frm Ins Reg to Administrati — Page B&I-13

E-971 Trans ASO From Manufactured Housing to Administrat — Page B&I-14

E-972 Trans Admin Svcs Ofcr From Real Estate to Administ — Page B&I-14

E-973 Trans Admin Svcs Ofcr From Mortgage Lend to Adminis — Page B&I-15

E-974 Trans Dep Commiss From Trans Authority to Administ — Page B&I-15

E-975 Trans Admin Svcs Ofcr Frm Taxicab to Administratio — Page B&I-16

E-976 Trans Accounting Asst From NAIW to Administration — Page B&I-16

E-977 Trans Acct Asst from Real Estate to Administration — Page B&I-17

E-978 Trans Accting & Payroll Frm Financial Inst to Admi — Page B&I-17

E-979 Trans Acct Asst Frm Mortgage Lend to Administratio — Page B&I-18

E-989 Trans Acct Asst Frm Indust Relations to Administra — Page B&I-18

E-990 Trans Fiscal Pos Frm Insur Reg to Administration — Page B&I-19

E-995 Trans Licensing Frm Financial Institut to Admin — Page B&I-19

E-996 Trans Licensing Frm Mortgage Lend to Administratio — Page B&I-20

In addition, as part of the centralization of fiscal functions, six positions are recommended to be reclassified in decision unit E-805 for a savings of $29,839 in FY 2011-2012 and $28,092 in FY 2012-2013. The chart on page 3 of Exhibit C shows the positions recommended for reclassification.

E-805 Classified Position Reclassifications — Page B&I-11

Limited details were provided concerning the rationale for the B&I centralization and how it fits into the broader efforts to reorganize departments across State government. In addition, the centralization of fiscal functions in the *Executive Budget* does not appear to include all fiscal staff from the Divisions whose personnel are recommended to transfer in, nor did the centralization of fiscal functions include any fiscal staff from the Housing Division or the Division of Industrial Relations. The IT positions recommended to be transferred appear reasonable to Staff. However, it does not appear to Fiscal Staff that all licensing positions were transferred from all divisions within the Department. At the Joint Subcommittee on General Government budget hearing for this account on February 11, 2011, the Subcommittee requested that B&I provide additional information as to the advantages of the recommended centralization and develop a plan to centralize all fiscal functions for all divisions within the Department including the Housing Division and the Division of Industrial Relations.

In response to the Subcommittee's request, B&I identified seven fiscal positions from the Division of Industrial Relations and one fiscal position from the Housing Division that would also be included in the proposed centralization of fiscal functions. Additional costs of $397,728 in FY 2011-2012 and $541,771 in FY 2012-2013 would transfer to B/A 101-4681 and would require additional General Funds of $7,642 in FY 2011-2012 and $10,187 in FY 2012-2013.

Also included in B&I's response to the Subcommittee was a request to increase the costs in decision unit E-230 to address the need for additional space and moving expenses for the increase in the number of fiscal positions to be transferred.

E-230 Reduce Duplication of Effort — Page B&I-3

The total cost for decision unit E-230 would increase from $1,113 to $63,290 in FY 2011-2012 and from a savings of $1,622 to an additional expense of $61,779 in FY 2012-2013. In addition, B&I included a request to add $19,716 to be cost allocated to all divisions for each of the biennium for equipment required for the data communication system necessary to accommodate the new location and additional staff transfers. The Department of Business and Industry indicated that it is not the intent of this centralization to transfer all positions in each Division that have fiscal duties. The goal was to focus on those positions providing fiscal management, oversight and control of the various accounting and budgetary tasks necessary to support the needs of the division administrators and B&I.

Fiscal Staff has the following concerns with this request:

- While some departments in the State do have centralized fiscal functions, those departments usually have one or two overall missions. Those departments that do not have centralized fiscal functions typically have several divisions with distinct missions such as the Department of Health and Human Services and the Department of Conservation and Natural Resources. The B&I is similar in that there are several divisions, some quite large, with distinct missions. It appears to Fiscal Staff that it would be difficult to manage the fiscal functions for so many divisions with different missions, different funding sources, programs, etc., from a location separate from program staff. However, Fiscal Staff believes the Director's Office would need to provide fiscal support to those smaller divisions that do not have fiscal support such as the Employee Management Relations Board. Also, Fiscal Staff acknowledges the importance of oversight to the divisions within the Department, and that the Director's Office should provide oversight in reviewing such items as the division's work programs, and budget requests, and that the Director's Office may need the additional fiscal staff to provide that oversight.

- The Department's proposal does not appear to be consistent as conflicting information was supplied. Fiscal Staff asked the Agency to identify all fiscal positions within each division within the Department and to identify those fiscal positions that were not being transferred and the reason. The Agency indicated that it is only transferring management staff and those positions that are tied to or that perform functions relating to the State accounting system. Included with the response was a list of the fiscal positions by division, a brief description of the duties performed and the percentage of time the positions spent on State fiscal functions. The Agency defined State fiscal functions as positions performing duties tied to the State Integrated Financial System or "Advantage" system, such as work programs, building budgets, accounts payable, accounts receivable and contracts. Following are Fiscal Staff's findings regarding the list provided by the Department:
    - The Agency did not include the transfer of positions responsible for fiscal management of grants or for the bond program accounting for the Housing Division (a chief accountant, three accountant IIIs and four grants analyst positions.)
    - The Agency did not include any positions whose percentage of time spent performing fiscal functions was less than 100 percent (except the transportation manager/deputy commissioner for the Nevada Transportation Authority). Furthermore, an administrative aid for the Insurance Division was not recommended for transfer, but was identified as spending 90 percent of its time on fiscal-related duties. Similarly, a management analyst for the Taxicab Authority was identified as spending 100 percent of its time on fiscal support related to accounts payable, receivable, cash receipts, petty cash, inventory, electronic deposits and

trip charge accounting, but was not recommended to be transferred to the Director's Office.

- The Agency did not consider reassigning duties to those positions that were dedicated less than 100 percent to fiscal functions to develop a full-time position to be transferred. For example, four positions for the Mechanical Unit within Industrial Relations are identified as spending 40 percent to 60 percent of their time billing and invoicing, but the fiscal duties are not recommended to be consolidated into fewer positions and then transferred to the Director's Office.
- In some cases, positions responsible for processing accounts receivable were transferred—six for Financial Institutions and two for Industrial Relations are recommended to be transferred—and in other cases positions were not transferred. For example, four administrative assistants for the Taxicab Authority were identified as performing fiscal functions related to fee and fine receipts and credit card payment deposits 50 percent of the time, but are not recommended to be transferred.
- The Real Estate Division identified four positions that were 100 percent assigned to State fiscal functions, but only two positions were recommended to be transferred in the Governor's recommended budget.

Fiscal Staff is unable to determine B&I's rationale for requesting to transfer some fiscal positions, but not others, if the aim is to achieve greater efficiency and uniformity in fiscal management. The Fiscal Analysis Division is not certain why B&I would not seek to combine the fiscal duties of various positions that do not spend all their time on fiscal management and transfer those positions solely dedicated to fiscal or accounting duties. The suggested additional position transfers submitted by B&I do not appear to comport with the Joint Subcommittee's instructions to provide an "all or nothing" consolidation plan. It appears to Fiscal Staff that the recommended plan to centralize fiscal, IT and licensing functions was not fully developed and may not adequately address the differing needs of B&I's various programs and their missions.

The Committees should note that the centralization recommendation includes the request to consolidate the expanded Director's Office staff into one primary location. At the IFC meeting on February 3, 2011, the Committee deferred a FY 2010-2011 work program to relocate agency offices and make tenant improvements in new office space. This work program would have increased the cost allocation reimbursement funds by $290,059 in FY 2010-2011 to pay the costs of relocating the Director's Office from its current location in the Richard H. Bryan Building in Carson City to non-State owned space to house a total of 31 positions due to the proposed centralization recommended by the Governor. Also, included as part of this work program was a request for an allocation from the IFC Contingency Fund totaling $19,668. The Contingency Fund request was also deferred. Another work program was submitted for the April 18, 2011 IFC meeting, but it was subsequently withdrawn by the Budget Division. The work program submitted for the April 2011 IFC meeting reflected a lower cost for the move to a new location, down to $197,845 for FY 2010-2011, of which $10,024 would be requested as a supplemental appropriation. The remaining $187,821 would be cost allocated to the various divisions within B&I. It should be noted that A.B. 497 provides for a supplemental appropriation of $317,092, which does not include the moving costs and is requested due to a projected shortfall in timeshare licensing and filing fee revenues.

ASSEMBLY BILL 497: Makes a supplemental appropriation to the Real Estate Division of the Department of Business and Industry for an unanticipated shortfall in Fiscal Year 2010-2011. (BDR S-1226)

Therefore, in reviewing the B&I centralization plan, the Committees will need to consider the following scenarios relative to the previously requested Director's Office space consolidation:

- If the Committees approve the recommended centralization, they will need to decide whether to approve the move to a new location in FY 2010-2011 or delay the move until FY 2011-2012.
- If Option (a) or (b), on page 5 of Exhibit C, is approved and the Committees decide that the resulting move into a new location should occur in FY 2010-2011, the deferred work program would need to be resubmitted for the June 2011 IFC meeting, with the corresponding supplemental appropriation of $10,024 to be approved in addition to the amount included in A.B. 497.
- If Option (a) or (b), on page 5 of Exhibit C, is approved and the Committees decide that the move to a new location should occur in FY 2011-2012, $197,845 for the cost of the move would need to be added to this account, of which $10,024 is the General Fund share, for the estimated relocation and build out cost for the new non-State owned

space. This would affect all agencies under B&I as the Department cost allocation would need to be adjusted in the amount of $187,821.

If the Committees approve the centralization as recommended by the Governor, Fiscal Staff suggests allowing B&I to begin the build out of the new non-state owned space in FY 2010-2011, which would require the resubmittal of an FY 2010-2011 work program totaling $187,821 to go before the IFC meeting in June and the approval of the additional supplemental appropriation in the amount of $10,024.

The options for consideration are as follows:

(a) Approve the Governor's recommendation to centralize fiscal, information technology and licensing functions for B&I including decision units E-510, E-511, E-520, E-521, E-522, E-523, E-524, E-525, E-526, E-527, E-528, E-529, E-539, E-540, E-545, E-546, E-805, E-910, E-911, E-970, E-971, E-972, E-973, E-974, E-975, E-976, E-977, E-978, E-979, E-989, E-990, E-995 and E-996.

(b) Approve the Governor's recommendation to centralize fiscal, information technology and licensing functions for B&I including all decision units in Option (a), plus adding the seven additional fiscal positions and associated operating costs for the Industrial Relations Division and the one position and associated operating costs for the Housing Division as identified by the Director's Office for a total additional cost of $397,728 in FY 2011-2012 and $541,171 in FY 2012-2013, which would be primarily funded through the Director's Office cost allocation and would require additional General Fund allocations of $7,642 in FY 2011-2012 and $10,187 in FY 2012-2013.

(c) Disapprove the centralization of fiscal, information technology and licensing functions for B&I and grant Fiscal Staff authority to reverse all decision units in all budget accounts within the divisions of the Department of Business and Industry related to the recommended centralization. If this option is chosen, the Committees may wish to consider a letter of intent be issued to B&I to reevaluate the centralization of fiscal, information technology and licensing functions, and to include their plan in their agency request for the 2013-2015 biennium.

CHAIR HORSFORD:
Will the Director of B&I come forward to testify? You have heard some of our concerns about the need for consolidation, and that the plan is not fully developed. If the Committees choose option (a) or (b), what clarification can you provide us today in response to those concerns?

MR. JOHNSON:
My recollection of the last joint subcommittee meeting was B&I had been directed to bring more staff into the centralization effort. We submitted some information to that effect. The concept is good. It will provide a number of advantages. The first is consistency with NRS 232 which contains language regarding the role of the Director's Office in providing consistency in budget, personnel, administration and IT functions. This centralization plan is in harmony with the legislature's original vision for B&I. In addition to consistency with the statute, the plan provides for internal consistency across the different divisions for those similar functions such as budget preparation, work program preparation, contracts, leases, etc. The second major advantage is it will allow the agencies to focus more on operations. There are a number of operational challenges throughout B&I. The Occupational Safety and Health Administration (OSHA) was on the brink of federal decertification in the last couple of years because of some challenges. There have also been challenges in the mortgage lending industry, real estate and other industries regulated by B&I. As the road to recovery in Nevada runs through the regulatory agencies of B&I, I would like to position them to focus on their core duties of providing regulatory oversight and attending to the strategic issues that arise. Allowing the Director's Office to fulfill the functions it was created to fulfill. This is not a perfect plan, but it is a good plan.

CHAIR HORSFORD:
The Transportation Manager and Deputy Commissioner do not have full allocation of their fiscal functions. Concerns have been expressed about eliminating the Deputy Commissioner of the Nevada Transportation Authority. Can you address those concerns for us?

MR. JOHNSON:
I have spoken with industry representatives and am prepared to consider alternatives in light of concerns expressed by both industry representatives and legislators.

CHAIR HORSFORD:
What is the impact in this budget of maintaining that position?

MS. BYERS:
Highway Fund appropriations would need to be reallocated to the budget account the position is in. The cost allocation to other agencies from this account would be reduced along with an insignificant amount of General Fund appropriations.

CHAIR HORSFORD:
Why is a deputy director being reclassified to a management analyst III? Who supports the Director now in that capacity?

MR. JOHNSON:
The effects would be to redirect efforts from strategic planning and management to operational issues. The advantage would be to allow for incremental additions to oversee centralized functions.

CHAIR HORSFORD:
Is it an essential position?

MR. JOHNSON:
The deputy director would be more critical than the management analyst III.

CHAIR HORSFORD:
What would the impact be if the deputy director were not reclassified to a management analyst III?

MS. BYERS:
The table on page 3 of Exhibit C shows the cost of the current and proposed classifications. If the reclassification did not occur, there would be an increase of $32,253 in FY 2011-2012 and $30,290 in FY 2012-2013. The increase would be cost allocated to all the divisions within B&I.

CHAIR HORSFORD:
Is it cost allocated because it is fee based and also receives General Fund monies?

MS. BYERS:
It would be included in the Director's Office cost allocations. Two percent of the cost would be to the General Fund and the remaining 98 percent would be charged to the various agencies based on FTEs in their accounts.

MR. KRMPOTIC:
Based on the information on page 3 of Exhibit C, if the deputy director position was retained in lieu of the management analyst reclassification, the increased General Fund appropriations would be approximately $600 to $700 each year of the biennium.

ASSEMBLYMAN BOBZIEN MOVED TO APPROVE OPTION (B) FOR THE CLOSURE OF B/A 101-4681 AS OUTLINED BY STAFF WITH THE EXCEPTION OF THE RECLASSIFICATION OF THE DEPUTY DIRECTOR POSITION TO A MANAGEMENT ANALYST III POSITION IN DECISION UNIT E-805; AND INCLUDING A LETTER OF INTENT REQUIRING THE DEPARTMENT OF BUSINESS AND INDUSTRY TO EVALUATE THE FISCAL CONSOLIDATION AND REPORT BACK TO IFC BY OCTOBER 1, 2011.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLYMAN GRADY:
If we approve options (a) or (b) are we including the two divisions that were not included in the consolidation?

MS. BYERS:
Currently, the *Executive Budget* does not contain the seven positions in the Industrial Relations Division and the one position in the Housing Division. If the Committees approve option (b), Staff requests authority to add those decision units to the budget and increase the costs allocated to the divisions within the Department.

CHAIR HORSFORD:
Is that agreed to by both makers of the motion?

ASSEMBLYMAN BOBZIEN:
Yes.

SENATOR LESLIE:
Yes.

ASSEMBLYWOMAN CARLTON:
The problems at OSHA stemmed from the lack of funding for compliance officers and investigators. How will rearranging a fiscal position make workers safer?

MR. JOHNSON:
The fiscal consolidation will allow the agencies to focus on operational issues and let the Director's Office focus on the fiscal and administrative aspects of the work. Ideally, this will allow the agencies to increase their attention on their core regulatory functions. And, it will position the Director's Office to be more responsive and responsible in interacting with the various divisions and agencies. That is my ideal.

ASSEMBLYWOMAN CARLTON:
My ideal would be to actually fund it. Perhaps we will someday.

ASSEMBLYMAN KIRNER:
I need to get further clarification on the motion. This is a large consolidation. What was added to option (b)?

CHAIR HORSFORD:
We are approving the proposed centralization, but we are also requiring B&I to provide status reports to IFC evaluating the implementation of the centralization of the fiscal, IT and licensing functions proposed in the consolidation.

ASSEMBLYMAN KIRNER:
Does this meet the needs of B&I?

MR. JOHNSON:
Yes. This includes the additions we made after the previous hearing.

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

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

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MS. BYERS:
As detailed on page 6 of Exhibit C, the next decision to be made by the Committees is related to the centralization of the relocation of the Director's Office from the Bryan Building to non-State owned space. If the decision is to start the build out of the new space in FY 2010-2011, Fiscal Staff requests authority to increase the current budget by $197,845 for the cost of the move which includes $10,024 of General Fund appropriation.

CHAIR HORSFORD:
Is the request for B&I to come to IFC?

MS. BYERS:
If that is what the Committees choose.

ASSEMBLYWOMAN SMITH MOVED TO ALLOW THE DEPARTMENT OF BUSINESS AND INDUSTRY TO BEGIN THE BUILD OUT OF THE NEW NON-STATE OWNED SPACE IN FY 2010-2011, AND TO RESUBMIT A WORK PROGRAM TO THE JUNE 2011 IFC MEETING FOR A TOTAL OF $197,845 WHICH INCLUDES $10,024 IN GENERAL FUND APPROPRIATIONS.

SENATOR DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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

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MS. BYERS:
The second major closing item for B/A 101-4681 is the elimination of the transfer of Volume Cap Fees from the Industrial Development Bonds Account in decision unit E-250.

E-250 Economic Working Environment — Page B&I-3

CHAIR HORSFORD:
What are these fees? Who pays them?

MS. BYERS:
Three different revenue sources have been eliminated: $50,000 each year for the Monorail bond fees; $115,000 each year for direct bond fees; and reimbursement of legal fees. The only revenue remaining in this account is the transfer of the Volume Cap Fees. The Committees earlier approved the elimination of that transfer in B/A 101-4683.

SENATOR KIECKHEFER MOVED TO APPROVE DECISION UNIT E-250, THE ELIMINATION OF VOLUME CAP FEE TRANSFERS FROM B/A 101-4683 TO B/A 101-4681 AMOUNTING TO $131,500 IN EACH YEAR OF THE 2011-2013 BIENNIUM.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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

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MS. BYERS:
The third major closing issue for this account is the transfer of the ombudsman for minority affairs position. Budget Amendment No. A00373 transfers the position and associated operating costs from the Consumer Affairs Division account, B/A 101-3811 for an increase in General Fund appropriations of $96,036 in FY 2011-2012 and $96,280 in FY 2012-2013.

E-960 Appropriation Control

The Committees approved the Governor's recommendation to eliminate the Consumer Affairs Division on April 22, 2011. Senate Bill 473, as introduced, would eliminate the Consumer Affairs Division and permanently transfer the powers and duties of the Division and the Commissioner of Consumer Affairs to the AG, along with the elimination of the ombudsman for minority affairs position. If the Committees approve the restoration of this position, an amendment to S.B. 473 will need to be approved to eliminate the Division, but maintain the ombudsman for minority affairs position under the Director's Office of B&I.

SENATE BILL 473: Revises provisions governing consumer affairs. (BDR 18-1190)

SENATOR DENIS:
The elimination of the ombudsman of minority affairs was an oversight and I appreciate the process of working with the Governor to restore the position.

SENATOR DENIS MOVED TO APPROVE BUDGET AMENDMENT NO. A00373 WHICH ADDS DECISION UNIT E-960 TO B/A 101-4681.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GRADY AND HAMBRICK VOTED NO.)

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

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MS. BYERS:
The fourth major closing issue in B/A 101-4681 is the cost allocation adjustment for the biennium and accompanying letter of intent. The Director's Office determines the General Fund share in its budget each year by calculating the total General Fund appropriations as a percentage of the Department's total budget. The Department has calculated the percentage to be 1.92 percent for FY 2011-2012, and 1.88 percent for FY 2012-2013. Using the Department's percentages, Fiscal Staff calculates a General Fund need of $43,128 in FY 2011-2012 and $46,787 in FY 2012-2013. However, the General Fund appropriation recommended in the *Executive Budget* is $89,957 in FY 2011-2012 and $94,308 in FY 2012-2013. Fiscal Staff estimates the total General Fund appropriation in the *Executive Budget* is overstated by $46,829 in FY 2011-2012 and $47,521 in FY 2012-2013 and the Director's Office cost allocation is understated by the same amounts.

Fiscal Staff has concerns with the current methodology for cost allocation for this account. The current methodology does not appear to be equitable to the various divisions as it is based on the percentage of General Fund appropriations to the Department as a whole compared to other funding sources. Based on the recommended budget, approximately 2 percent of the total budget of B/A 101-4681 comes from the General Fund. The balance of the Director's Office budget is cost allocated based on the FTEs in each budget account within B&I, with a few exceptions. Those accounts within the various divisions containing no FTEs are not included in the Department's cost allocation pool. Accordingly, even though the Director's Office provides fiscal support for a budget account without positions, it is not charged for those services. Other department cost allocations, such as the Department of Administration and the Health Division, use a combined methodology including both the FTEs and the number of fiscal transactions.

> ASSEMBLYWOMAN SMITH MOVED TO GRANT FISCAL STAFF AUTHORITY TO DECREASE THE GENERAL FUND APPROPRIATIONS BY $46,829 IN FY 2011-2012 AND $47,521 IN FY 2012-2013 AND TO MAKE FINAL ADJUSTMENTS TO THE DEPARTMENT-WIDE COST ALLOCATION FOR B/A 101-4681 BASED ON THE COMMITTEES' APPROVAL OF THE VARIOUS DECISION UNITS AND GENERAL FUNDS APPROPRIATED TO ALL DIVISIONS WITHIN THE DEPARTMENT, AS WELL AS TO ISSUE A LETTER OF INTENT TO THE DEPARTMENT OF

BUSINESS AND INDUSTRY TO WORK WITH THE FISCAL ANALYSIS DIVISION AND THE BUDGET DIVISION DURING THE INTERIM TO REEVALUATE THE METHODOLOGY USED FOR COST ALLOCATION TO MAKE IT MORE EQUITABLE TO ALL DIVISIONS AND BUDGET ACCOUNTS.

SENATOR RHOADS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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

*****

MS. BYERS:
There are four other closing items in B/A 101-4681. The first is the transfer of a personnel officer position with a total cost of $98,877 over the biennium to the Department of Personnel's proposed Human Resource Management account in decision unit E-913. The new centralized Resource Management Division will be funded by participating agencies through an FTE-driven cost allocation.

E-913 Trans Personnel Ofcr From B&I Admin to Personnel — Page B&I-13

Decision unit E-230 encompasses the purchase of a new copier and adjusting rent differential. Decision unit E-325 is for increased in-state travel for the new Director of B&I who is now located in Las Vegas instead of Carson City. Decision unit E-800 is the Director's Office share of the new Human Resource Management Division's cost allocation for personnel and payroll services.

E-230 Reduce Duplication of Effort — Page B&I-3

E-325 Deliver Public Services Directly and Efficiently — Page B&I-3

E-800 Cost Allocation — Page B&I-11

ASSEMBLYMAN HARDY MOVED TO APPROVE DECISION UNITS E-913, E-230, E-325 AND E-800 OF B/A 101-4681 AS RECOMMENDED BY THE

GOVERNOR AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE ANY NOTED TECHNICAL ADJUSTMENTS, INCLUDING TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL OR STATEWIDE ALLOCATIONS AND ASSESSMENTS, AND AN ADDITIONAL $19,716 TO BE COST ALLOCATED FOR EQUIPMENT REQUIRED FOR A DATA COMMUNICATION SYSTEM NECESSARY TO ACCOMMODATE THE NEW LOCATION AND THE SEVEN ADDITIONAL STAFF TRANSFERRED.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN SMITH WAS ABSENT FOR THE VOTE.)

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

BUDGET CLOSED.

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CHAIR HORSFORD:
We will take public comment regarding the statewide pay and benefit decision units.

JIM RICHARDSON (Nevada Faculty Alliance):
I am authorized by Chancellor Klaich to comment on the impacts of the pay and benefit cuts already experienced by the Nevada System of Higher Education (NSHE) as well as what we anticipate in the future. I have a table detailing resignations at the University of Nevada, Las Vegas (UNLV) (Exhibit D). The UNLV administration believes these resignations are a result of the uncertainty surrounding higher education in Nevada. Thirty-nine faculty members have resigned as of May 9, 2011. In addition, the Desert Research Institute (DRI) has prepared a paper titled “Impact on Research Faculty and Research Revenue” (Exhibit E) outlining the 38 research faculty who have left over the last two years. The loss of these faculty members at DRI has resulted in the loss of research revenue estimated to be nearly $20 million for the calendar years 2008 through 2010. The document titled “Selected Examples of Cherry-picking by Institutions Outside the State of Nevada” (Exhibit F) lists

some of the faculty of various NSHE institutions who have been recruited by other universities throughout the country.

The salary and benefit cuts proposed in the *Executive Budget* are significant and the Nevada Faculty Alliance hopes you will consider continuing the furloughs instead of pay cuts. If nothing else, please consider reducing the level of salary reduction, cut it in half. Do something that sends a message to the classified employees of the State of Nevada that they are valued.

PEGGY BOHN:
I am a classified employee of the University of Nevada, Reno (UNR). I am the face behind the document titled "The Impact of the Economy of the State of Nevada on the Family of Peggy J. Bohn" (Exhibit G) that I have left in every office in this building. Using my March paystubs since 2008, Exhibit G outlines that I have taken nearly a $6,000 pay cut in that time frame. I and my coworkers would rather have a furlough than a pay cut. We would rather have a day off to take care of our personal business rather than work more for less pay. One of the reasons I looked for a job with the State was holiday pay. As a single parent, the ability to have time off with my son has been very important to me. I have to balance my budget on a monthly basis. Increased expenses for health benefits, increased parking fees at UNR, added to the reductions in pay make it increasingly difficult to balance my monthly budget. Think of all of Nevada as you make decisions about this budget.

JOHN KINNEY:
I am a classified State employee. I have worked at Western Nevada College for 13 years. I have watched my current pay grade, 21, be reduced over the past few years. The Governor says we will again have our salaries taxed to help cover the State budget. I have been forced to rent out my house rather than have the bank foreclose on it. I am currently trying to rent a studio apartment with a shared kitchen to make ends meet. Last Session, the tax on our incomes was softened by work furloughs. We had to take uncompensated time off. It created difficulties in all departments. But, now, furloughs will be suspended and further pay cuts will be imposed. This trivializes the roles of all classified staff in the State of Nevada. We are not important enough to be appropriately compensated. The situation will lead to lower morale and higher stress which will affect work performance. Perhaps other sources of State income should be

considered, but placing the burden of the problem on State employees and students is not the answer.

VISHNU SUBRAMANIAM (Chief of Staff, American Federation of State, County and Municipal Employees, Local 4041):

We ask that you oppose statewide decision units respecting salaries and benefits. State employees are doing more than ever, whether it is in our State hospitals, our correctional facilities, our welfare offices or other State offices. For hundreds of State employees in the beginning of their careers earning approximately $28,724 annually, a 5 percent pay cut is equal to $1,436 taken from their paychecks. Taking into account the furlough days and suspensions in merit and longevity pay, State employees have given up nearly 13 percent of their incomes over the last few years. This Session, State employees are facing a 1 percent increase in Public Employees' Retirement System (PERS) contributions as well as a 3 to 4 percent increase in Public Employees' Benefits Program (PEBP) contributions. As caseloads increase while compensation and benefits decrease, State employees are asking themselves basic questions about why they entered State service in the first place and what their next job opportunity will be. When employees leave State service, Nevada loses. We lose experienced professionals. We lose dedicated public servants. We lose knowledgeable service providers. We need to continue substantive discussions about revenues and how to fund the critical services our State depends on, not how to take away more from our public sector and State employees.

KEVIN RANFT (American Federation of State, County and Municipal Employees, Local 4041):

I am a State correctional peace officer in Carson City. If a salary cut is unavoidable, employees prefer the furloughs. State agencies will testify that services will be impacted, but employees ask that the agencies share in the sacrifice. State employees were told in the 2009 Session that the suspension in merit pay and longevity would sunset after two years. The sunset on the tax package is not being lifted. There are major inequities in the proposed budget. Will the continuation of the suspension in merit pay and longevity make a difference in the budget? It does make a difference in morale. The elimination of the holiday premium pay applies only to the 24-hour shift worker who cannot take the holiday off. Legislators over the years have created the smallest State government in the nation in Nevada. Why can we not fund it? It does not make sense. We need to find the revenues to fund the smallest State government in the country. Let the pay cuts expire on June 30, 2011.

RON BRATSCH (American Federation of State, County and Municipal Employees, Local 4041):
I echo Mr. Ranft. I would like to emphasize that the holiday premium pay only affects public safety employees.

DANNY THOMPSON (American Federation of Labor-Congress of Industrial Organizations):
I have sat at this table numerous times over many Legislative Sessions. We have had these exact same conversations. I sit on the board of the Division of Industrial Insurance Regulation where the federal government threatened to come in and take over the State of Nevada's OSHA plan. One of the reasons is we do not pay our OSHA inspectors enough to keep them. The day they receive their State certifications, they leave for jobs in private industry that pay $10,000 to $20,000 more. I was involved in the negotiations in the 2009 Session that reduced pay and benefits. We are in a race to the bottom. We are willing to tax State employees, but will not raise taxes on anyone else in the State.

The Governor has made a pledge he will not raise taxes. We have one of the worst funded school systems in America and the smallest government in the country. Why do we not have an honest debate about revenue? The common denominator over the 30 years I have worked in this building is diversifying the economy. You do not diversify the economy by destroying education. You do not do it by eliminating DRI. You are on the verge of destroying DRI, an agency that brings in more money than the State puts into it.

An organic uprising is occurring in the kindergarten through Grade 12 (K-12) school system. The K-12 students, along with their parents, are distributing leaflets in their schools and communities because they do not want education funding to be cut any further. I understand cuts are required, but there must also be new revenue. We cannot keep doing the same thing and expect different results; that is the definition of insanity. It will not happen.

I ask you not to cut pay further. Extend the furlough rather than impose pay cuts. I came before this body and recommended raising the minimum wage. You would not. However, the people wanted it done and they did it. It is now in the State's *Constitution*. If you do not fix our budget problems, the people will solve the problem.

GENE COLUMBUS (President, Nevada Corrections Association):
We know the pressure these Committees are under. These cuts will be detrimental to the recruitment and retention of qualified officers and other correctional staff. We would like you to take that into consideration.

JAN GILBERT (Progressive Leadership Alliance of Nevada):
Your constituents are going to go into the Department of Motor Vehicles offices and face State workers who are angry and have low morale. It will impact the way they treat your constituents. I do not blame them for being angry. You are cutting their pay and benefits and they are working for our State. This is not to say the State workers are going to rise up, but what we are doing to our State government and our schools is unfair. You will hear about it from our constituents because they cannot serve us as quickly as they have in the past. I hope you can come to some middle ground. I urge your support for furlough days rather than pay cuts.

JANE KICHNER:
I am a State employee. I have taken annual leave to testify before you today. My two main concerns are the 5 percent reduction in pay and the fact that a pay reduction, unlike furlough days, affects retirement benefits. At a meeting in my office, all 12 of us prefer furlough days to the pay cut. I have 33 years of service. The longevity pay suspension was a substantial cut in my annual salary. I can understand not increasing it, but taking it away completely is unfair to those of us who have been with the State for a long time.

CHAIR HORSFORD:
As there is no further public comment, I will ask Fiscal Staff to walk through these decision units at this time.

MR. COMBS:
Earlier in the Session, Fiscal Staff told you there were certain decision units that would not be discussed individually in every single budget account. Fiscal Staff would discuss them as a whole across the budget. That is what we are doing today. The first of these items is the M-100 decision unit, Statewide Inflation.

The M-100 decision units are used to adjust expenditures for revised costs of internal services. The internal services and the rates for those services for agencies other than the Department of Information Technology (DoIT) are set forth in the table on page 29 of Exhibit C. Fiscal Staff have made note of the various rates included in the table for the agencies that collect the internal cost assessments and have determined that the rates as recommended in the *Executive Budget* are reasonable.

ASSEMBLYMAN OCEGUERA MOVED TO APPROVE THE USE OF THE ASSESSMENTS FOR INTERNAL SERVICES AS RECOMMENDED BY THE GOVERNOR IN DECISION UNITS M-100 THROUGHOUT THE *EXECUTIVE BUDGET* AND AS OUTLINED IN THE TABLE ON PAGE 29 OF EXHIBIT C.

SENATOR RHOADS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. COMBS:
The rates for DoIT as recommended by the Governor are included in a table on page 34 of Exhibit C identified as Attachment A. After the Committees closed DoIT's budget, Fiscal Staff made adjustments and some updated utilization information from budget accounts that have already closed and returned that information to DoIT. Adjustments to the recommended rates will be needed based on the actions of the Committees when closing the remaining accounts.

ASSEMBLYMAN CONKLIN MOVED TO GRANT STAFF AUTHORITY TO ADJUST THE RATES REFLECTED IN ATTACHMENT A BASED ON THE ACTIONS OF THE COMMITTEES IN CLOSING THE REMAINING BUDGETS.

SENATOR LESLIE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. COMBS:
Each biennium, Fiscal Staff determines whether adjustments are required to the amounts budgeted for the various agencies for the statewide cost allocation plan, the AG's cost allocation and the purchasing assessment.

ASSEMBLYMAN OCEGUERA MOVED TO GRANT STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO THE STATEWIDE AND AG COST ALLOCATIONS AND PURCHASING ASSESSMENTS AS DEEMED APPROPRIATE TO STAFF.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. COMBS:
The next decision unit is M-300, Fringe Benefit Rate Adjustments. Accounts included in the *Executive Budget* that have State positions include this decision unit to adjust expenditures for revised costs of fringe benefits for the employees funded in the budget. With the exception of the rates charged for employees' group health insurance and the assessment for the group insurance premium for retired employees, the rates recommended by the Governor are reflected in the table on page 30 of Exhibit C. These rates appear reasonable to Staff.

ASSEMBLYMAN OCEGUERA MOVED TO APPROVE THE FRINGE BENEFIT RATE ADJUSTMENTS IN DECISION UNIT M-300 AS RECOMMENDED IN THE *EXECUTIVE BUDGET* IN 342 BUDGET ACCOUNTS.

SENATOR CEGAVSKE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

*****

MR. COMBS:
The other item included in the M-300 category does not require a vote because the Committees voted to approve the rates for group health insurance with the closure of the PEBP account on May 9, 2011. Those rates are included in a table on page 31 of Exhibit C.

The next item for consideration is decision unit E-670, Temporary 5 percent Salary Reduction. The Governor recommends reducing compensation for all employee groups by 5 percent effective July 1, 2011. The testimony provided throughout the budget hearings indicates this is not intended to be a temporary reduction that would be restored at a particular time, but a resetting of salary rates for State employees by 5 percent. On Tuesday, May 3, the Senate Committee on Finance and the Assembly Committee on Ways and Means voted to not approve the 5 percent reduction for school district employees as recommended in the *Executive Budget*. The General Fund value of the 5 percent salary reduction for each employee group is outlined below:

	State General Funds in Millions			
Employee Group	**FY 2012**	**FY 2013**	**Total**	**Percent**
State Employees	$ 31.4	$ 31.6	$ 63.0	16.6%
University Employees	28.7	28.9	57.6	15.2%
School Districts	128.3	130.9	259.2	68.2%
Total	**$188.4**	**$191.4**	**$379.8**	**100.0%**

As a result of the actions in closing the K-12 budgets, the General Fund savings from the Governor's recommendation would be reduced to approximately $60.1 million in FY 2011-2012 and $60.5 million in FY 2012-2013.

If the Committees wish to restore 1 percent of the salary reduction recommended by the Governor for State and university employees, approximately $30.6 million in General Fund allocations would need to be added back over the biennium. Restoring 2.5 percent of the salary reduction would require additional General Fund allocations totaling $55.9 million over the biennium. Because State and university employees are currently subject to 12 furlough days per fiscal year, Staff has prepared a projection of the amount of General Fund appropriations that would need to be restored to continue the furloughs through the upcoming biennium. The amount added back includes the amount necessary to hold the State employee retirement harmless as is the case in the current biennium. The continuation of furlough days would require a General Fund restoration of approximately $24.1 million over the biennium.

> ASSEMBLYMAN HARDY MOVED TO APPROVE DECISION UNIT E-670 AS RECOMMENDED BY THE GOVERNOR.
>
> SENATOR KIECKHEFER SECONDED THE MOTION.

CHAIR HORSFORD:
What is the potential impact on PERS if the salary reduction is approved as recommended?

DANA BILYEU (Executive Officer, Public Employees' Retirement System):
An analysis done by PERS indicates 1,671 State employees, not including Legislative Counsel Bureau (LCB), UNR and UNLV employees, are fully eligible to retire as of June 30, 2011. That represents 10 percent of the State workforce. Almost 13 percent of the LCB workforce is fully eligible to retire. The UNR has 231 employees, nearly 12 percent of their workforce, eligible to retire. The UNLV has 148 employees eligible to retire. Over 2,000 State workers are fully eligible to retire, a little more than 10 percent of the workforce.

The concern for PERS is these employees will be making an economic decision whether or not to maintain their employment, or to move to retirement. During the 2009 Legislative Session, one of the reasons furlough days were proposed was to avoid the tipping point for the economic decision to be the move into retirement. In 2007, when PERS was closed to local governments, unless they brought their active workforce as well as retirees, there were 1,000 additional teacher retirements in the month of September. These retirements were calculated in our 2009 actuarial evaluation creating a $266 million demographic loss in retirements for that year. Our concern is twofold: the potential loss of 10 percent of the workforce coupled with the loss to PERS on a demographic basis.

ASSEMBLYMAN CONKLIN:
I am trying to understand the dollar amount. The burden in 2007 was $266 million for half as many people who may potentially be incentivized to leave. Because the numbers were aggregated in 2007, is it reasonable to assume a cost of $266 million per 1,000 people leaving? Could the fiscal impact of moving forward with this reduction be as much as $532 million?

MS. BILYEU:
The teacher workforce affected in 2007 and 2008 and the State workforce are similarly compensated from the perspective of the system. The analysis is similar. The average reportable salary in the last valuation was approximately $49,000 a year. That is a good number to look at if everyone identified was incentivized to go as of their retirement eligibility date.

ASSEMBLYMAN OCEGUERA:
State workers have not had a raise in a couple of years. They are facing a reduction in pay. Those employees approaching retirement eligibility have already had their top three years of pay and are fully eligible for 75 percent of their wages. It seems it would be a simple decision to leave. What is the liability that would have to be purchased for those retirees?

CHAIR HORSFORD:
Is there anything in the *Executive Budget* dealing with the terminal leave that would have to be paid out if the projected number of State employees did choose to retire?

STEPHANIE DAY (Deputy Director, Budget Division, Department of Administration):
The only terminal leave payments the Budget Division has calculated are for the positions being eliminated in the *Executive Budget*. We have not done an analysis on potential retirees due to maximum years of service or age.

CHAIR HORSFORD:
Is there a fiscal impact when employees retire?

MS. DAY:
Yes, there is. Terminal annual leave, terminal sick leave and any compensatory time on the books would be cashed out.

CHAIR HORSFORD:
Do you know what the average terminal cost for each employee would be?

MS. DAY:
I do not know that.

CHAIR HORSFORD:
Does anyone else know? Can you get that information to the Committees as quickly as possible?

MS. DAY:
I will see what we can do.

ASSEMBLYMAN KIRNER:
One reason the State cannot get that number is accounting is not done as it is in private industry. Unused sick pay and holiday pay are booked as liabilities.

When you say there are approximately 2,000 people who are eligible for retirement, what does that mean? How many years of service are required to be eligible for full retirement?

MS. BILYEU:
It depends on which fund the employee is in and how old the employee is. The requirements for retirement are 10 years at age 60, 5 years at age 65 or 30 years of service at any age in the regular fund. The fire and safety fund is 20 years at age 50, some retain 25 years at any age. The aggregate numbers I referred to earlier include all of those who are eligible.

ASSEMBLYMAN KIRNER:
There may be some people who have 10 years of service and are 60 years old and it behooves them to remain employed a few extra years to increase their retirement benefits with more years of service. There will be some fraction of employees whose economic decision will be to remain with the State.

MS. BILYEU:
That is correct. We assumed about one-half of the eligible employees would potentially opt for retirement using all the factors to affect their economic decision. A certain number of retirements are assumed to occur each year. It is when events happen that trigger changes PERS does not assume that losses occur. We then book that loss in the valuation for the year.

ASSEMBLYMAN KIRNER:
What was the triggering event in 2007?

MS. BILYEU:
It was the closing of PERS to teachers as of a particular date. Teachers all retire in the month of September. Typically, 800 teachers retire each year. In 2007, approximately 1,900 teachers retired.

CHAIR HORSFORD:
We need to consider the totality of the proposals in the *Executive Budget*. In 2007, based on one benefit change, retirements more than doubled. This budget proposes decreases in pay and benefits along with increased costs for health insurance. The combination of these factors may cause more employees to consider retirement. The analysis of the potential impact should have been done at the *Executive Budget* level. There is a cost and it should be factored into the budget. It is fiscally imprudent not to factor in the cost of the termination leave.

I cannot support the motion for the following reasons: first, the cumulative impact of these recommendations taken together; second, we need a balanced approach to the budget and how spending and labor costs impact State employees; third, we cannot identify the potential cost of the reduction in pay, but we know there will be a cost.

SENATOR KIECKHEFER:
I appreciate these are compounding decision units, but most of these are already in place. I do not want to undermine the fact that this is a reduction employees took in the current biennium. Under the furlough program, State employees are currently under a 4.6 percent salary reduction. This is only an additional 0.4 percent reduction in take-home pay. The proposal is reasonable based on what is happening in the private sector and the economy as a whole.

CHAIR HORSFORD:
You inferred that this is a continuation of what occurred in the last biennium. That is not the case. Those reductions have sunsets just as the revenues do. Why is it reasonable to continue pay reductions, but not the revenue increases?

SENATOR KIECKHEFER:
It is not really a continuation. It is a change from furlough days to direct salary reductions. The statement that it is not a 5 percent reduction to current take-home pay refers to the idea these reductions are compounding. I did not agree with the decision of the previous Legislature to include tax increases to solve the budget shortfall.

CHAIR HORSFORD:
But you agree employees should take a reduction?

SENATOR KIECKHEFER:
To balance a budget that has 80 percent of its costs in payroll, a significant component of reductions should be from payroll.

ASSEMBLYWOMAN CARLTON:
When the sunset on the furlough days would have gone into effect, things would have returned to the status quo. This proposal is a 5 percent cut to their pay that affects retirement as well. For those employees who are even close to being eligible for full retirement, the economic decision must also be contingent upon the cost of going to work every day as well as what will be lost in future earnings. There will be a loss to the State. It is not merely a 0.4 percent cut to State employees, it is a 5 percent cut.

CHAIR HORSFORD:
The Governor assumed these decisions would continue without the deliberations of the legislative process. That has been a problem with a number of the proposals in the *Executive Budget*; assumptions are made that require agreement from the other party, but they are not willing to make this a more balanced approach. This is not shared sacrifice.

ASSEMBLYMAN HICKEY:
As other people who have been involved in the private sector, involuntary downsizing has been shared equally by most businesses that I am familiar with.

I support the motion and these cuts because it is a continuation of the downsizing as a result of the economic downturn.

SENATOR DENIS:

It is not just a 5 percent pay cut. It is also the increased cost of health insurance. At least with the furlough program, PERS was not impacted. People who were paying $250 a month for insurance will now pay $450 a month. I cannot support the motion.

ASSEMBLYWOMAN SMITH:

I was forced to retire from a private sector job after the last Legislative session because changes to my pension plan would have resulted in lost benefits had I continued to work. I do not consider that a reason to want other people to experience the same thing I have gone through. State employees have worked with us; they have helped us get through this incredible recession. These Committees hear every day about the stresses of added caseloads and fewer staff members. I cannot support this motion.

ASSEMBLYMAN CONKLIN:

This is tired dogma. I have worked in the private sector in both small and large businesses. We have laid off 122 people at my company. But these layoffs were in response to reduced demand. If we are going to apply true business principles to our government, we should be hiring. The demand for State services has increased. Nevada has the thinnest, leanest government in the Country. It is reasonable to have a fair and honest discussion about what it means to ask our State workers to bear the burden of the State's lean budget. A private business can only endure so many losing quarters in a row before going out of business. But, that is not this business. State government operates under different principles. Yes, we can be more efficient and more effective. But we cannot hold hostage the services we want to deliver to the citizens of Nevada. I do not support this motion.

> ASSEMBLY: THE MOTION FAILED. (ASSEMBLYMEN AIZLEY, ATKINSON, BOBZIEN, CARLTON, CONKLIN, HOGAN, MASTROLUCA, OCEGUERA AND SMITH VOTED NO.)

SENATE: THE MOTION FAILED. (SENATORS DENIS, HORSFORD, LESLIE AND PARKS VOTED NO.)

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ASSEMBLYMAN OCEGUERA:
While I do not agree completely with decision unit E-670, I do agree that cuts need to be shared. State employees have testified they would prefer the continuation of the furlough program rather than pay cuts. I offer as a compromise a combination of a 2.5 percent pay cut and a six-day furlough program. There was some abuse of the furlough program in the current biennium. Some employees who did not truly need waivers received them. To eliminate that avenue of abuse, if a waiver from the furlough was requested and received, the employee would take a commensurate pay reduction. In this case, that would amount to a total of 4.8 percent pay reduction with no furlough days.

ASSEMBLYMAN OCEGUERA MOVED TO REDUCE THE PAY CUT IN THE BUDGET WIDE DECISION UNITS E-670 FROM 5 PERCENT TO 2.5 PERCENT WITH THE ADDITION OF SIX FURLOUGH DAYS IN EACH FISCAL YEAR. IN ADDITION, ANY EMPLOYEE WHO RECEIVES A WAIVER OF THE FURLOUGH DAY REQUIREMENT WILL HAVE AN ADDITIONAL 2.3 PERCENT PAY CUT FOR A TOTAL REDUCTION IN PAY OF 4.8 PERCENT.

SENATOR PARKS SECONDED THE MOTION.

ASSEMBLYMAN KIRNER:
I understand the concept. I do not understand the dollars. How does that affect dollars?

MR. COMBS:
I cannot give you an exact amount, but I can give you a close estimate. This motion would make the total pay reduction 4.8 percent rather than 5 percent. The impact on the *Executive Budget* from the pay standpoint would be 0.2 percent. However, to hold PERS harmless from the 2.3 percent furlough increase would cost between $7.5 million and $10 million over the biennium.

ASSEMBLYWOMAN SMITH:
I assume there will be other savings we cannot quantify today. There will be employees who will either have to take the furlough or the additional pay cut who did not in the current biennium. I would expect less overtime would be necessary and that this would mitigate some of the potential terminal leave payout. It is not only about the money. It is about keeping knowledgeable, dedicated people in the system.

ASSEMBLYMAN HICKEY:
I appreciate the sentiments and the suggestion to consider this proposal. Anyone who serves in the Legislature experiences the dedication and contribution of the State worker. However, I would be more comfortable considering this proposal with more information regarding the actual numbers and to find out what the Governor's position is with respect to it. I am concerned about voting for increased funding without knowing where the money will be coming from. I could not vote for the motion at this point.

CHAIR HORSFORD:
We have gone through these decision units in Subcommittee meetings, in Joint Committee meetings, and in the Committee of the Whole. The numbers are clearly laid out by our Staff. The Legislative process is about cooperation and compromise. The only conversation I hear from the Republican Party is, "Governor's Recommendation," as if that is a solution. Assemblyman Oceguera has offered a compromise. Rather than consider it at face value, we have to see more numbers. The numbers are what they are. We now have to make a decision. How will it be paid for? It will be paid for by having a balanced approach to the budget, both cuts and revenues.

ASSEMBLYMAN HICKEY:
I just heard this proposal a few minutes ago. I do not consider my request a delay tactic. I appreciate the merits, but I would like more time to consider the proposal.

ASSEMBLYWOMAN CARLTON:
Voting for a 2.5 percent pay cut is against what I believe. I do not like the proposal. I just heard about this a few minutes ago, as well. But, I am willing to compromise. We must be able to make decisions that include compromise. As the compromises fall on deaf ears, I wonder why I am compromising. I have

made a commitment to this particular compromise, but, in the future, I may not be willing to continue to compromise.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN GOICOECHEA, GRADY, HAMBRICK, HARDY, HICKEY AND KIRNER VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATORS CEGAVSKE, KIECKHEFER, AND RHOADS VOTED NO.)

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MR. COMBS:
There will be a pay bill based on these discussions. Currently, State employees are required to take one furlough day each month. To incorporate the six days a year it may be necessary to input some flexibility, such as a number of hours in the year rather than a certain number of days each month. As the bill is formulated, we will discuss with the Legal Division how this works with the labor laws.

The next decision unit is E-671, Implement a Salary Freeze by deferring step increases. The Committees voted not to approve decision units E-671 in the school district employees' budget accounts. Based on that decision, the General Fund savings is approximately $19.1 million in FY 2011-2012 and $43.9 million in FY 2012-2013.

SENATOR RHOADS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR DECISION UNITS E-671 IN THE STATE EMPLOYEE AND UNIVERSITY EMPLOYEE BUDGET ACCOUNTS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. COMBS:
The next statewide decision unit is E-672, the Suspension of Longevity Payments. The General Fund savings recommended in the *Executive Budget* is $3.2 million in FY 2011-2012 and $3.7 million in FY 2012-2013.

ASSEMBLYMAN HARDY MOVED TO SUSPEND LONGEVITY PAYMENTS IN DECISION UNITS E-672 AS RECOMMENDED BY THE GOVERNOR.

SENATOR RHOADS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. COMBS:
The final statewide decision unit to be considered today is E-674, the Elimination of Holiday Premium Pay. The Governor recommends eliminating holiday premium pay for State employees who are required to work on a State holiday. The Governor's proposal would reduce the additional amount paid to employees for time worked on a holiday from time and a half to straight time. Currently, most classified State employees receive pay for the holiday plus time and a half for the hours they are required to work on that holiday. The General Fund savings as reflected in the *Executive Budget* is $1.3 million in each year of the biennium.

ASSEMBLYMAN OCEGUERA:
Does this proposal reduce holiday pay from double time to time and a half?

MR. COMBS:
No, this reduces holiday pay from two and a half times pay to double time.

SENATOR RHOADS MOVED TO APPROVE THE ELIMINATION OF HOLIDAY PREMIUM PAY IN DECISION UNITS E-674 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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CHAIR HORSFORD:
As there is no further business before the Committees, we are adjourned at 11:53 a.m.

RESPECTFULLY SUBMITTED:

Patricia O'Flinn,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE:

Assemblywoman Debbie Smith, Chair

DATE:

EXHIBITS			
Bill	**Exhibit**	**Witness / Agency**	**Description**
	A		Agenda
	B		Attendance Roster
	C	Fiscal Analysis Staff	Closing List #15
	D	Jim Richardson	UNLV Faculty Resignations
	E	Jim Richardson	Impact on Research Faculty
	F	Jim Richardson	Examples of Cherry-picking
	G	Peggy Bohn	Impact of Economy . . .