

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

**Seventy-sixth Session
March 1, 2011**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Mo Denis at 8:09 a.m. on Tuesday, March 1, 2011, in Room 2134 of the Legislative Building, Carson City, 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 SUBCOMMITTEE MEMBERS PRESENT:

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

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Marcus Conklin
Assemblyman Paul Aizley
Assemblyman Kelvin D. Atkinson
Assemblyman Tom Grady
Assemblyman Randy Kirner
Assemblyman John Ocegüera

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Wayne Thorley, Program Analyst
Wade Beavers, Committee Secretary

OTHERS PRESENT:

The Honorable Michael L. Douglas, Chief Justice, Nevada Supreme Court
Deanna Bjork, Manager of Budgets, Office of Court Administrator

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Robin L. Sweet, Interim Court Administrator, Interim Director, Office of Court
Administrator

Scott Sosebee, Deputy Director, Information Technology, Office of Court
Administrator

Verise V. Campbell, Deputy Director, State of Nevada Foreclosure Mediation
Program, Office of Court Administrator

CHAIR DENIS:

I will now open the budget overview hearing for accounts from the
Judicial Branch.

THE HONORABLE MICHAEL L. DOUGLAS (Chief Justice, Nevada Supreme Court):

The Governor requested that the Supreme Court produce a budget that was
equal to or less than the budget on which it operated in 2007. We have been
able to meet that request.

DEANNA BJORK (Manager of Budgets, Office of Court Administrator):

The Subcommittee has been provided with a copy of our presentation
([Exhibit C](#)). It contains graphical information about the accounts that will be
heard today.

I would like the Subcommittee to know, up front, that we will be requesting a
supplemental appropriation of \$3,000 to aid in judicial selection. This will affect
one of the three Court budget accounts that will not be heard today, so I will
not go into further detail.

The total budget request totals \$133,809,120, which represents 0.76 percent
of the statewide budget, when taking all funding sources into consideration.
Forty-five percent of the Court's request is funded from a General Fund
appropriation, which totaled \$60,281,691. If judicial salaries are removed from
the total, 15.7 percent of the Court's budget request, or about \$13.7 million, is
funded by the General Fund. That appropriation goes mainly toward funding
one-third of the Supreme Court's budget. The remainder of the Supreme Court's
budget is funded from administrative assessment revenue.

The Supreme Court's Law Library is funded by General Fund appropriation, as is
60 percent of the Senior Justice and Senior Judge Program. The General Fund

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appropriation fully funds 13.75 full-time equivalency (FTE) positions in the Judicial Branch's budget, which accounts for 8 percent of our total number of employees. The remaining positions are primarily funded from fees.

We were informally asked by the Governor's office to reduce our budget by \$2,366,000, or 16.85 percent. Our reductions totaled \$2,766,000, approximately 17 percent. We have calculated our budget request to be more than \$2.6 million under the 2007 appropriation levels.

CHAIR DENIS:

Please address administrative assessment revenue projections.

MS. BJORK:

On page 1 of [Exhibit C](#), there is an updated chart describing our administrative revenue receipts. When we presented a copy of our budget request to the Office of Administration, Budget Division, on October 1, 2010, our revenue projections for FY 2010-2011 were for flat growth. At that time, we believed that receipts would equal what we had received in FY 2009-2010. For the first several months of 2011, we have seen a decline in these collections.

Our projections are calculated by annualizing monthly receipts. This provides us with a usable estimate. There are several variables in this calculation, however. Our revenue is a function of the number of citations being issued, which fluctuates with the number of officers on the streets. In the courtroom, judges can have citations thrown out. They can reduce fines or commute sentences at their discretion. These actions affect the amount of court fees we can collect.

These variables are difficult to predict. The best we can do is to gather information and look at historical trends.

In 2009, revenue had been growing at rates above 10 percent for several years. This guided our projection that revenue collections would increase by 8 percent to 9 percent annually during this current biennium.

After we presented these numbers to the Legislature in the 2009 Session, revenue collections began to slow down. There was growth in FY 2009-2010, but only at a rate of 3 percent or 4 percent. We also saw a slowing in revenue

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growth during FY 2008-2009, but we did not compile those numbers until after session had ended.

Our projections for the next biennium foresee a 5 percent decline from the amounts received in FY 2009-2010. Revenue has never before declined from one year to the next. This downward trend could be the result of several factors, for instance, the suffering economy. While I am not certain that there has been a change in the number of officers on the street, we have seen a decrease in fine collections.

We believe that we are seeing impacts from the new \$5 increase to assessment fees throughout the State. This is one of the reasons that we revised our initial revenue projections for this fiscal year.

In Assembly Bill (A.B.) No. 6 of the 26th Special Session, the Legislature passed this \$5 increase to the fee schedule in *Nevada Revised Statutes* (NRS) 176.059. This increase is taken out of initial collections and sent to the General Fund. The remaining assessed fees are split between the Executive and Judicial Branches. We believe that the initial collections of that fee have impacted the amount going to the Judicial Branch.

ASSEMBLYMAN CONKLIN:

In the chart on page 1 of [Exhibit C](#), you show that there was a decline in revenue for FY 2001-2002. Could you explain this?

Ms. BJORK:

We attribute this slight decline to the effects of the tragedy of September 11, 2001.

ASSEMBLYMAN CONKLIN:

When making projections, does your data show recognizable trends if you are merely annualizing the monthly receipts?

Ms. BJORK:

We do not annualize totals to make the projections provided in the budget. We annualize monthly receipts during the year to get a number we can compare to

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our projections. This helps us see if we are on target with what we had expected.

ASSEMBLYMAN CONKLIN:
Does your data reflect seasonal trends?

Ms. BJORK:
We look at the receipts quarterly. There are seasonal trends.

The chart on page 3 of [Exhibit C](#) shows that we have seen our largest receipts during the month of March for each of the past three years. Court clerks collecting the revenue have agreed with my assertion that this is tied to the disbursement of tax refunds. People choose to pay their fines with the money they receive from the Internal Revenue Service in March.

Data on page 2 shows that we typically see our highest gross returns in revenue during the latter six months of the fiscal year. Major events occur throughout the year which may result in reciprocal increases in fine assessment. Events that attract a sizeable police presence, such as sporting events or the Burning Man festival, typically result in an increased number of citations and fines.

ASSEMBLYMAN CONKLIN:
Could you speculate on any realistic reasons for the current decline in this revenue? I would like to hear further explanation of the \$5 assessment increase.

ROBIN L. SWEET (Interim Court Administrator, Interim Director, Office of Court Administrator):
The \$5 was added to all fee assessments. It is then taken off of the top of those payments to be diverted to the General Fund. If a person is making a \$30 payment every month, the \$5 is taken out first.

ASSEMBLYMAN CONKLIN:
So this treats the General Fund like a lienholder.

Ms. SWEET:
That is correct.

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The General Fund is not receiving the full \$5 for every assessment paid. When examining that revenue, you will see that we are receiving \$2.50 for some of these assessments. Partial payments are impacting this fee.

Ms. BJORK:

I would like to direct the Subcommittee's attention to the chart on page 5 of [Exhibit C](#). This compares the collections of the \$5 fee to the share of the assessment revenue that goes to the Executive and Judicial Branches. Initially, in the months of July, August, September and October, the collections from the \$5 fee increase remained flat while the collections for the other share were trending down. If I were to annualize the receipts of that \$5, this share would be projected to generate \$2.2 million for the General Fund. I believe that some of that money would have come to the Supreme Court had the \$5 not been taken off the top.

ASSEMBLYMAN CONKLIN:

What effects will the decline in the assessment revenue have on your budget?

Ms. BJORK:

We have presented a budget that will allow us to spend within the projected amount, which includes a 5 percent decline in revenue from FY 2009-2010 and flat growth going into the next biennium. We have sufficient reserves in the fee-funded accounts to cover the decline in revenue. Currently, our reserve levels in the fee-funded accounts are adequate to fund two months' worth of costs going into 2014, with the exception of the Specialty Court program, which I will address later.

In the current biennium, we have experienced a significant revenue shortfall that has amounted to over \$1.5 million for the Supreme Court's budget alone. This left us with two options. We could either make significant reductions to the Supreme Court's budget, or we could request \$1 million from the Interim Finance Committee (IFC). The Supreme Court chose to make significant reductions to ensure that they can balance their budget this fiscal year.

ASSEMBLYMAN CONKLIN:

That was probably the best decision, as it is unlikely that the IFC would have been able to meet that request.

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CHAIR DENIS:

You are projecting lower numbers in FY 2010-2011 than in FY 2011-2012. Please comment on that increase.

Ms. BJORK:

If you look at the graph on page 1 of [Exhibit C](#), you will see a red bullet point indicating where we stand for receipts as of today. If I were to annualize the receipt data and project through January 2011, we would be more than 8 percent below FY 2009-2010 revenue levels. Some of this decline is attributable to December receipts. During the month of December, two courts were closed for a week and were not collecting revenue. We have factored that anomaly into the projections. This revenue is very difficult to project. We can only base our calculations on the information that we collect. For example, if we see a news report indicating that Washoe County is planning on reducing its police force, we must consider this as a potential revenue impact. In December 2010, there were 5 percent fewer traffic citations than there were in December 2009. The month of January is showing an even more dramatic decline in citations from a year ago. This will negatively impact our revenue, but we still expect to see the seasonal highs that are typical of the latter six months of the fiscal year. Those receipts should increase and bring us more in line with the projected number, which was 5 percent less than the collections from FY 2009-2010.

In light of historical growth, it would be tempting to project revenue growth into FY 2012-2013. With the recent slowing in collections, however, we must be fairly conservative in our projections.

These are not the most conservative projections we could have made. It would not be unreasonable to project a 10 percent decline in receipts, but, with the hope that the economy will recover to some degree, we decided to project only a 5 percent decline. I want to reiterate that we had initially projected flat growth, but, based on what we have been seeing in the first few months of FY 2010-2011, we have redone our projections.

CHAIR DENIS:

If the number of citations goes down, does this correspond to a reduction in processing expenses?

Ms. BJORK:

There is the potential for that. I should report that these citation statistics were only recently provided to my office. I have not finished analyzing the potential ramifications. It is possible that there could be an impact on the processing expenses.

I would like to add another point about our administrative assessment revenue projections. In 2009, the Legislature passed A.B. No. 531 of the 75th session that allowed the Judicial Branch to distribute assessment funds among the Office of Court Administrator (AOC), the Judicial Education Program and the Uniform System of Judicial Records (USJR) as it sees fit. This budget reflects changes that were made by allowance of that legislation.

I will now discuss the budget for the Supreme Court, budget account (B/A) 101-1494.

LEGISLATIVE/JUDICIAL

JUDICIAL BRANCH

Supreme Court — Budget Page JUDICIAL-1 (Volume I) Budget Account 101-1494

This budget receives 33 percent of its funding from General Fund appropriation and 66 percent from administrative assessment revenue. It also receives a small amount of funding from photocopy service fees. The budget request is for \$10,752,634 in FY 2011-2012 and \$10,907,708 in FY 2012-2013. There is no growth in the costs for this budget except for some adjustments made to the Base Budget.

There is an enhancement for replacement equipment.

E-710 Equipment Replacement — Page JUDICIAL-3

This allows for the replacement of some computer hardware that is over five years old or is no longer under warranty.

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Our performance indicators show that the number of cases filed annually have steadily increased in this budget. The Court is not requesting any new staff to address those increases. As a result of this, we foresee longer disposition times and an increase in the pending caseload.

Due to the significant reductions that were required as a result of the administrative assessment shortfall, the Supreme Court reduced expenditures. These were ongoing expenditures that the Legislature authorized in the 2009 Session. They are not included as part of the adjusted Base Budget and are not funded in this budget. These reductions equate to approximately \$2.3 million.

Because this budget is funded jointly by administrative assessment revenue and General Fund appropriations, it receives 48 percent of the Judicial Branch's share of the administrative assessment revenue. As this revenue is declining, we require a General Fund appropriation to make up for the decline in the revenue. That appropriation amounts to about \$377,000 in each year of the biennium.

In June 2008, we came before IFC to request funding for the Court's replacement case management system. At the time we testified that, beginning in FY 2011-2012, there would be an increase of \$150,000 each year to the Court's software maintenance costs. That expense has been built into this budget.

We have built increases into the Court's settlement caseload funding, based on projections for an increase in that caseload. We also have included increases to our wireless network server costs.

An enhancement in this budget will transfer the salaries of the Supreme Court Justices to the District Judge Salary Account. We are then proposing to rename this account "State Judicial Elected Officials," B/A 101-1490.

State Judicial Elected Officials — Budget Page JUDICIAL-5 (Volume I)
Budget Account 101-1490

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CHAIR DENIS:

Could you explain the need for this transfer? There appears to be no monetary savings derived from this action.

Ms. BJORK:

The Governor's Budget Office has published targets for reductions which have included the Supreme Court's appropriation. These targets have not taken into consideration the fact that the General Fund appropriation funds the Justice's salaries. Judicial salaries, pursuant to the *Constitution of the State of Nevada*, cannot be reduced. We needed to base our calculations on a number that did not include these salaries.

This problem was compounded by the passage of A.B. No. 6 of the 26th Special Session, which published proposed reductions for the Supreme Court. The calculations used to develop the recommended reduction included the total appropriation for the Supreme Court and the Justices' salaries.

None of these published targets included the District Judge Salary Account, as it was recognized that this account was immune. My recommendation to the Court was to set aside the Supreme Court Justices' salaries in a similar way, so that the appropriation to fund their salaries was not targeted for reduction.

CHAIR DENIS:

If you did not make this transfer, would you have the same confusion on the reductions?

Ms. BJORK:

That is correct. I have notified staff that I believe this account will have a cash flow issue because of the administrative assessment revenue. We receive the General Fund appropriation up front, which comes to approximately \$3.5 million each year. We spend that money first. The assessment revenue is collected month by month. At the moment, the Supreme Court is operating on assessment revenue collected in January 2011. We have not received the revenue collected in February and we will not begin to receive it for another two weeks.

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In the month of July, after the fiscal year ends, we are continuing to pay for our expenses and we are continuing to collect revenue. Paying our bills becomes a problem as we wait for the \$500,000 or more to be received from the previous month's collections.

I believe that, if the Justices' salaries are in the Supreme Court's budget, we will still experience a cash flow problem. We may not have the funds to pay the salaries. Fortunately, the State Controller's system allows for the salaries to be paid even if the account goes into the red, although all of the other payable expenses in that account would not be given the same treatment.

ASSEMBLYMAN CONKLIN:

Would you also transfer the money for the salaries into this other account?

MS. BJORK:

Yes. We want to move the Justices' salaries to the Judicial Elected Officials budget account, along with the funding for those salaries.

ASSEMBLYMAN CONKLIN:

I do not see that this makes a difference in the cash flow for this account. If you take the salaries and the funding and move them somewhere else, you will still have a cash flow issue.

MS. BJORK:

That is correct. There will still be a cash flow issue with this account. My point was that, going into May and June, we will be waiting for assessment revenue to fund our costs. Justices' salaries are on a different pay schedule than the other employees. I would not like to see a situation where the salaries are paid but the account must go into the red. I am not sure if this answers your question.

ASSEMBLYMAN CONKLIN:

You stated that the purpose of moving this account was to solve a cash flow problem, but this does not seem to solve the cash flow problem.

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

This transfer does not have a positive impact on the cash flow problem. It may have a negative effect. By moving salaries entirely funded by General Fund appropriations to the other account, you would be increasing the percentage of the total Supreme Court budget that is funded with administrative assessment revenue. The problem driving the cash flow issue is that the percentage of the budget funded by non-General Fund sources has increased over time.

MS. BJORK:

The primary reason for transferring these salaries would be to avoid having them factored into the targeted reductions.

ASSEMBLYMAN CONKLIN:

The reduction will not change. If the Justices' salaries cannot be reduced, you will have to find reductions in other areas. Please provide further clarification on your reasons for proposing this transfer.

CHIEF JUSTICE DOUGLAS:

You have made an important point. The majority of our budget is funded by assessment fund revenue and not the General Fund. This is a major problem for us, as General Fund money is more reliable, even in austere circumstances.

With the exception of judicial salaries, the majority of our employees are paid with administrative assessment fund collections. We must monitor those funds very carefully and be ready to make cuts if the revenue is not there. I disagree with the analyst. This does have a direct relationship to our budget and the way we pay employees whose salaries are not paid out of the General Fund. The Supreme Court is 45 percent funded from the General Fund. Ideally, this would not be the case. We have tried to create program services in the rural and urban counties using administrative assessment funds because of the shortfall in General Fund appropriations.

Once we remove judicial salaries, we are allocated only 0.23 percent of the State's total General Fund budget. The shortfall in administrative assessment revenue is something we have learned to live with. We are mindful of

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fluctuations because there are various courts and specialty programs that are funded based on those revenues.

ASSEMBLYMAN CONKLIN:

I recognize that the Supreme Court does not receive a great deal of General Fund revenue. That is not the issue here, however. The problems with moving this expense account are twofold. First, judicial salaries are a guaranteed amount. They are set aside and immune from cuts regardless of the account in which they are located. The second issue is with your suggestion that the Supreme Court's budget account will be more stable if you remove its only stable component, this being the salaries funded by General Fund revenue. If you have two revenue sources, and one is less stable than the other, it would not make sense to remove the stable component in an effort to manage cash flow.

CHAIR DENIS:

Please explain why the judicial chambers administrative position is being held vacant rather than being eliminated entirely.

CHIEF JUSTICE DOUGLAS:

The Supreme Court has been experimenting with the ability to do without that position. For the last six years, our filings have either exceeded the previous year or have been flat from the previous year, and we do not foresee a decrease in our workload in the near future. The Justices are continuously looking for ways to more efficiently manage the workload. Our proposal for the creation of an intermediate appellate court has not been successful. We have made efforts to reevaluate the workings of the Court, particularly in balancing the numbers of dispositions and opinions. We have evaluated the length of time it takes for us to make a disposition. We are constantly presented with new types of cases, from those dealing with medical malpractice to those dealing with construction defects. We also have the new foreclosure mediation judicial review petitions beginning to arrive. We have a pending review of a case involving financial propriety within the Clean Water Coalition. We are extremely busy.

This administrative position has been left empty on a temporary basis. If we find that we need it, we will fill it in the future.

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CHAIR DENIS:

What percentage of your computer equipment will be affected by the equipment replacement request?

Ms. BJORK:

That will allow us to replace approximately 20 percent of the computer equipment in our inventory.

I will now discuss the budget account for the Senior Justice and Senior Judge Program, B/A 101-1496.

Senior Justice & Senior Judge Program — Budget Page JUDICIAL-10 (Volume I)
Budget Account 101-1496

This budget proposes approximately \$1.5 million in total expenditures for each year of the biennium. It requests approximately \$1 million of General Fund appropriation in each year, accounting for 60 percent of the budget request. Thirty-four percent of the budget comes from administrative assessment revenue, which represents 3.5 percent of the Judicial Branch share of administrative assessment revenue. It is also funded by multiparty filing fees.

My projections for administrative assessment revenue are 5 percent below FY 2009-2010 levels for each year of the next biennium. I projected 2 percent growth in the collection of multiparty filing fees, which was based on historical growth. I project the administrative assessment revenue and the multiparty filing fees first, and then the remainder is determined to be needed from General Fund appropriation.

This budget account saw significant reductions in FY 2009-2010 due to the administrative assessment revenue shortfall and to the requirement of A.B. No. 6 of the 26th Special Session to reduce appropriation levels in the Supreme Court's budget.

This budget request is about \$224,000 less than what was authorized in FY 2009-2010. That reduction equates to 13.35 percent.

There is nothing new in this budget. There is a request to replace hardware that is aged five years or more or that is no longer under warranty. This budget account funds one full-time senior judge coordinator position. It also funds the costs for 3 senior justices and 17 judges who are on assignment covering caseload demands in district courts. These judges frequently cover specialty courts in rural Nevada as well.

SENATOR KIECKHEFER:

When the ten additional district court judges approved in 2009 were brought online, why was there not a commensurate reduction in the funding necessary for senior judge positions? If there are more people to handle the caseload, why do you need as many senior judges?

CHIEF JUSTICE DOUGLAS:

Those judges were to prorate the caseload in Clark County specifically. They did not all sit in Clark County during the period of assignment. They only get paid when they are assigned.

Following the death of a District Court Judge in Nye County, a senior judge has been covering that position. We had a judge who moved from civil family court to civil and criminal court in Washoe County. Another judge in Clark County resigned. These types of situations represent one facet of how the senior judges are used. They are also used to help with special issues related to settlement conferences for family cases and medical malpractice cases. We use them when judges take family leave or must attend education courses or become sick, and to cover specialty courts throughout the State.

It is possible that the workload should be slightly less because of the addition of these ten district court judges. The Senior Justice and Senior Judge Program was initially developed to respond to crises throughout the year. I would like to reiterate that they only receive payment when they are on assignment. Hopefully, the need for them in Clark County will be reduced somewhat because of those newly assigned judges.

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SENATOR KIECKHEFER:

In other words, the majority of the time these judges are meeting emergent needs on a case by case basis rather than supplementing caseload demands in existing fully-staffed courts.

CHIEF JUSTICE DOUGLAS:
Correct.

MS. BJORK:

I will now discuss the budget for the Law Library, B/A 101-2889.

Law Library — Budget Page JUDICIAL-14 (Volume I)
Budget Account 101-2889

This budget is fully funded from a General Fund appropriation. It requests approximately \$1.6 million in each year of the biennium. It funds six full-time positions. The majority of the funding goes to pay for the cost of legal research materials for the Supreme Court. These are provided, secondarily, for government agencies and the public, including the Legislative Counsel Bureau Legal Division and the Attorney General's office. This budget does not have any enhancements.

ASSEMBLYMAN CONKLIN:

What is the total amount of funding requested for this budget?

MS. BJORK:

In FY 2011-2012, the budget request is for \$1,654,989. In FY 2012-2013, the budget request is for \$1,680,289. This amounts to approximately \$3.3 million total.

CHAIR DENIS:

I am concerned with your performance indicators. They are all given as percentage ratings near 100 percent. I do not see a lot of room for growth in this type of reporting. I would prefer seeing some more informative performance indicator figures.

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Ms. BJORK:

That is something we will examine. If you like, we could have representatives from the Law Library come forward and testify on those indicators.

CHAIR DENIS:

That is not necessary, although, in the future, I would like to see some concrete statistics associated with these percentages.

Ms. BJORK:

We will look into that for the next biennium. If you require any additional information we will be happy to provide that to you.

I will now discuss the budget for AOC, B/A 101-1483.

Administrative Office of the Courts — Budget Page JUDICIAL-17 (Volume I)
Budget Account 101-1483

This budget is funded entirely by administrative assessment revenue. The budget request will use 23 percent of the total Judicial Branch share of these collections in FY 2011-2012 and 23.6 percent of the total collections in FY 2013-2013.

This account funds 37 positions where it previously funded only 28 positions. In order to fund the additional positions, we moved the indirect costs of the Supreme Court from its own budget to this account in order to be consistent with the other indirect costs of the Supreme Court that were already found within this account.

This account primarily funds the indirect costs of budget management, accounting, human resources, and information technology (IT) support for the Supreme Court and all other budget accounts under its administration. This account also funds the office of the State Court Administrator, which operates, according to NRS 1.320 through 1.370, under the direction of the Supreme Court. This account also funds a public information officer, judicial branch auditors and the specialty court coordinator, among other positions.

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The reserves in this budget account are sufficient in FY 2012-2013 to fund two months of costs going into FY 2013-2014. We are comfortable with those levels.

The primary budgetary requests in this account are to fund disaster recovery. At this time, with our existing capabilities, we are able to replicate data but we are not able to replicate software applications. We are requesting a little over \$100,000 in the next biennium to fund the capability to replicate applications.

CHAIR DENIS:

I see that this funding is for offsite virtualization of the application servers. Will this be going to two different locations or just one?

Ms. BJORK:

It will go to two locations. We will replicate between the Regional Justice Center in Las Vegas and the Supreme Court building here in Carson City.

CHAIR DENIS:

Was this process not previously done?

Ms. BJORK:

We are currently replicating the data nightly, but we are not replicating the applications. In the case of a disaster, we would have the data but we would not have the applications.

CHAIR DENIS:

Are these expenses for software or hardware?

SCOTT SOSEBEE (Deputy Director, Information Technology, Office of Court Administrator):

Our offsite disaster recovery system would include a combination of hardware and software costs. This would involve the costs of the servers in addition to the software that would enable us to perform the virtualization. Currently, our data is replicated to an offsite facility in southern Nevada. However, it takes several days to bring that data back to Carson City. As an example, we had an issue this past summer when data needed to be retrieved from Las Vegas and it took several days to have it recalled. The situation occurred on a Friday, so it

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was fortunate that we were able to resume operations by Monday. A big piece of that delay, however, was reestablishing our application servers. We had the data but we were not able to execute any of our major information systems until they could be retrieved from Las Vegas.

CHAIR DENIS:

Will this enhance your abilities to retrieve data?

MR. SOSEBEE:

This is a risk mitigation measure that will allow us to bring our systems back online more quickly.

CHAIR DENIS:

Will this replace what you already have?

MR. SOSEBEE:

No. This will complement the system we already have.

With our current capabilities, if we have a major disaster, we have the data for all of our cases, but we are not able to do anything with the data without the case management system. This measure will protect our major information systems so that that data can be used. Theoretically, we could operate out of another location if there was a situation that occurred at the main building.

CHAIR DENIS:

Is the majority of this project simply acquiring servers that give you an enlarged storage capacity?

MR. SOSEBEE:

This project will virtualize the application servers. Then, through the software in these servers, we will gain expanded capabilities to move from server to server. Through the virtualization process, we will be able to bring up the applications on another bank of servers.

MS. BJORK:

The other decision units in this budget total less than \$150,000 combined. These include provisions for replacing the employee management system,

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purchasing web-filtering software, upgrading performance evaluation software, purchasing Microsoft SharePoint collaboration software and replacing hardware that has aged five years and is no longer under warranty.

CHAIR DENIS:

You have decided to reduce the reserve level for this account. Do you believe that this is an appropriate level?

MS. BJORK:

The reserve levels going into FY 2013-2014 will fund two months' worth of the Supreme Court costs. We do not know how much revenue will be available, as this account relies on administrative assessment collections. Decisions will be made based on these receipts, but, for the budget request, those reserves will be sufficient.

CHAIR DENIS:

Please explain why you feel it is appropriate to go forward with the technology enhancements when you are simultaneously dealing with a decrease in reserve levels.

MS. BJORK:

The reserve levels are sufficient to fund these decision units.

I will now discuss Judicial Programs and Services, B/A 101-1484.

Judicial Programs and Services Division — Budget Page JUDICIAL-23 (Volume I)
Budget Account 101-1484

This account receives 60 percent of its funding from General Fund appropriation, 38 percent from federal funds and 2 percent from court interpreter fees.

This budget includes ten positions, but requests funding for only nine. Approximately 80 percent of the funding for those positions comes from the General Fund, while the remaining 20 percent comes from federal grant funding. We achieved reductions in this account by not funding a court research analyst position. That enabled us to reduce General Fund appropriation by more than

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\$117,000 over the biennium. This budget no longer funds training, which will save about \$9,000 in each year of the biennium.

We reduced our General Fund needs by adjusting the funding for one position. This position had previously received 25 percent of its funding from the General Fund, but is now entirely funded by federal grants.

ASSEMBLYMAN CONKLIN:
Is there a vacant position in this account?

MS. BJORK:
We do have a position in this account that is currently vacant and will not be funded in the next biennium, similar to the vacant position in the Supreme Court's budget.

ASSEMBLYMAN CONKLIN:
Are you certain that you will not need to come before IFC during the biennium and ask to fill that position?

MS. BJORK:
Yes.

ASSEMBLYMAN CONKLIN:
Why have you chosen to leave the position vacant rather than eliminating it entirely?

MS. SWEET:
The position is in our statistics unit. Members of the public, press and Legislature frequently request statistics. This person would collect statistics needed to publish important annual reports. This position is sorely needed, but we recognize the need to leave it vacant in response to the economic hardships facing the State. As we expand the statistics and continue to respond to requests, we would like to have it back. We need this position.

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SENATOR KIECKHEFER:

There appears to have been a steep spike in your existing year budget due to the inclusion of several hundred thousand dollars in federal funds. Could you talk about those funds?

Ms. SWEET:

The federal Court Improvement Program for funding administrators changed its cycle for awarding grants. Grants from two years ago ended in this fiscal year. They changed the process so that we received one mid-year grant and one grant at the regular time. They both ended at the same time. While this appears to be a spike in the budget, it actually represents a change in the process for distributing federal funding.

Ms. BJORK:

The federal funding requested in each year of the upcoming biennium equates to what we were authorized to receive in FY 2009-2010. This budget funds the collection, analysis and reporting of statewide court statistics. Per NRS 1.360, it provides subject matter experts for committees and commissions.

This account funds a program to certify court interpreters. The oversight for this program is provided by the Certified Court Interpreters Advisory Committee.

This account also provides assistance to rural courts. It tracks felony bond forfeitures. It also funds the federal Court Improvement Program.

There is one enhancement tied to this budget, E-710, which will replace hardware that has aged five years or is no longer under warranty.

E-710 Equipment Replacement – Page JUDICIAL-25

I will now discuss the Uniform System of Judicial Records, B/A 101-1486.

Uniform System of Judicial Records — Budget Page JUDICIAL-27 (Volume I)
Budget Account 101-1486

This budget account is entirely funded through fees, most of which come from administrative assessment revenue. It also receives funding from AOC

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case-management system user fees, multiparty filing fees and automation fees collected by the Supreme Court clerk's office.

This account funds ten full-time positions.

The purpose of this program is to promote the standardization, advancement and support of technology in all 79 trial courts in the State. It provides technological solutions to manage judicial caseloads and records and to improve and address statistical reporting requirements.

The budget request is for \$3,404,743 in FY 2011-2012, and \$2,901,199 in FY 2012-2013. This account will receive 8 percent of the Judicial Branch's total share of administrative assessment revenue in 2012, and 6.1 percent of this total in 2013.

The reserves in this account are sufficient to fund two months' worth of costs going into 2014.

There are several enhancements in this budget account. The primary enhancement is E-434, which will fund the development cost for the replacement of the AOC case management system, which is used by 34 trial courts within the State to maintain their caseloads and their dockets.

E-434 Supreme Court – Improve Trial Court Technology — Page JUDICIAL-29

This item requests \$469,329 total. Approximately one-half of this, or \$219,000, will be spent in the first year of the biennium. The total includes a shift of \$250,000 from our general reserve to our special reserve, which will set aside funding for the 2013-2015 biennium to perform the actual replacement of the system.

CHAIR DENIS:

Is this funding the development of a new, complete system?

Ms. BJORK:

This decision unit funds the development costs necessary to make that determination.

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MR. SOSEBEE:

Currently, our existing system is ten years old. The technology has become dated and we are experiencing higher costs of continued operation. We are seeing an inability to provide additional services that the courts expect to be able to provide, including e-Filing and electronic payments. We need to begin the planning process for its replacement. With this initial decision unit, we are asking for the ability to plan and develop our requirements. This will lead to a Request For Proposal (RFP), which will be a request to replace the system. In the 2013-2015 biennium, we would expect to execute that RFP in order to begin the replacement process.

It took 10 years for us to bring the 34 courts online with our existing system. We do not expect the development of this next system to take that long, but we will have to maintain two systems concurrently as we transition off of our existing system and onto the new one.

CHAIR DENIS:

At this point, you do not know exactly what you will need, but you will use this money to figure it out.

MR. SOSEBEE:

That is correct.

MS. BJORK:

This account also contains decision unit E-435, which requests to upgrade the client server version of the current AOC case management system until it can be replaced.

E-435 Supreme Court – Improve Trial Court Technology — Page JUDICIAL-30

The cost for that enhancement unit is \$8,214 in the first year of the biennium. This will enable other projects, including electronic payments, to move forward. It will allow for longer retention of the current system until a replacement system can be brought online.

The next decision unit is E-433, which will allow us to develop reports for USJR Phase II family, juvenile and criminal reporting requirements.

E-433 Supreme Court – Improve Trial Court Technology — Page JUDICIAL-29

This decision unit requests \$25,000 in each year of the biennium. The enhancement is required to help us meet mandatory statistical reporting requirements applied to all trial courts.

In carrying out this modification, we plan to use a third-party vendor who will be familiar with the data structure.

The next decision unit is E-436, which will increase available funding for trial court technology grants.

E-436 Supreme Court – Improve Trial Court Technology — Page JUDICIAL-30

Currently, we provide \$85,000 a year to courts that request assistance to improve their technology. This decision unit will increase that number to \$100,000 each year.

The next decision unit is E-437, which will convert action codes in the AOC case management system to Nevada Offensive Codes.

E-437 Supreme Court – Improve Trial Court Technology — Page JUDICIAL-31

We are requesting \$16,995 in each year of the biennium for this enhancement. This is necessary because the Department of Public Safety is no longer expected to accept old codes by the end of FY 2011-2012. Existing codes prevent disposition reporting in required formats and hinder our ability to receive information from law enforcement agencies.

The next decision unit is E-439, which will convert certain applications to Microsoft Access 2007 as part of a planned Microsoft Office upgrade.

E-439 Supreme Court – Improve Trial Court Technology — Page JUDICIAL-31

This enhancements requests \$5,000 in FY 2011-2012.

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The last decision unit in this budget is E-710, which will replace hardware that is over five years old.

E-710 Equipment Replacement — Page JUDICIAL-31

CHAIR DENIS:

What version of Microsoft Office are you currently using?

MR. SOSEBEE:

We are currently using Microsoft Office 2003.

ASSEMBLYMAN CONKLIN:

You have decreasing reserve levels in this account. What do you believe would be the appropriate reserve level for this budget?

MS. BJORK:

We believe that the reserve level in this budget account is appropriate. As a result of A.B. No. 531 of the 75th Session, we were able to distribute administrative assessment revenue among several of our accounts to ensure that the reserve levels were balanced and sufficient.

ASSEMBLYMAN CONKLIN:

What is your anticipated reserve level?

MS. BJORK:

We have two reserve levels. The first totals approximately \$870,000 for the AOC case management system, which we are planning to replace in FY 2013-2014. The second totals about \$331,000.

ASSEMBLYMAN CONKLIN:

Why is there a need for the \$870,000 in the case management system reserve?

MR. SOSEBEE:

That reserve will offset the cost of replacing the system. Comparable systems that are currently being used by vendors can cost between \$1.5 million and \$2 million.

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Rather than planning on coming to IFC during the biennium and requesting \$1.5 million, we set up this reserve in anticipation of offsetting the cost of the system when the time came to replace it.

CHAIR DENIS:

Is it typical to spend \$400,000 on development and \$1 million for implementation of a new system like this? The cost of development is disproportionately high.

MR. SOSEBEE:

This is a typical approach to the development of this type of information system. This will be a very complex and critical system which will serve numerous courts. We want to make sure that we put the appropriate amount of effort into planning the requirements, development and execution of this project to ensure that we are left with a system that will meet our needs.

The original plan was much more aggressive, but because of the current economic climate, we have slowed down that process.

CHAIR DENIS:

Is there a chance that, in the current economic environment, you might procure some of these services at less expense than is indicated?

MR. SOSEBEE:

We would hope to save money. Our intent is not to spend \$2 million because we have \$2 million. We want to find something that will meet our requirements. We will also seek to leverage off the technology that we already have in place. Through the advantages granted by economies of scale, we hope that we will be able to bring our costs down.

Particularly in the case of statewide case management systems, however, the prices tend to be high.

CHAIR DENIS:

Will you be developing this system from scratch or will it be an off-the-shelf product that you will customize?

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MR. SOSEBEE:

These systems are primarily vendor-supported. We do not have the staff to initiate an entirely custom-developed system.

We envision having a vendor-supported system that is already developed, with a baseline program that will then be modified to fit our needs. Ideally, this will also have architecture that could allow in-house or contracted developers to perform maintenance and changes. We currently experience problems in that we are committed to a vendor who will regularly increase rates for programming work. We would like to have the flexibility to shop around for programming services or to perform some of this programming ourselves, if necessary.

CHAIR DENIS:

How many different vendors can provide the framework for this type of case management system?

MR. SOSEBEE:

There are quite a few vendors in the limited-jurisdiction court market. There are between seven and ten reputable vendors and three to five of these are producing the highest quality products at this time.

CHAIR DENIS:

If there are between seven and ten vendors who are each promoting their own products, why should we spend \$400,000 for them to sell us a system?

CHIEF JUSTICE DOUGLAS:

Several years ago, when I was a district court judge, the Clark County courts were in the early process of upgrading their system. I attended an annual court technology conference in Las Vegas. Of the eight reputable vendors there, four had operating systems in place, while the other four could only present ideas that had not been put into operation anywhere else. We have a balance between the vendors who have working systems in place and the vendors who have new ideas on the drawing board. We must choose between an old system and a new system that may allow us to develop new capabilities into the future.

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MR. SOSEBEE:

The investment we expect to make is not in having vendors come to us and tell us what we need. We are looking to tell the vendors what we need. That will require an independent process that will examine the current and future requirements of the trial courts in Nevada. We do not want to be reliant on the vendor to sell us a system that has bells and whistles that may be expensive but may not meet our needs.

CHAIR DENIS:

I think that this is an important distinction to make. People may look at the cost of this development project and wonder why you do not simply let the vendor sell you a product that will fit your needs.

MS. BJORK:

I would like to clarify a point on the decision unit for replacement of the AOC case management system. That unit allocates \$469,329, but only \$204,851 of that will be spent. We are shifting \$250,000 of that total from our general reserve to our special reserve.

CHAIR DENIS:

Please discuss your performance indicators for this B/A 101-1486. There are several new indicators.

MS. BJORK:

There are some new indicators. Performance Indicator No. 2 describes the number of justice agencies using the multicounty integrated justice information system. Performance Indicators No. 3 through 6 break those figures down further.

CHAIR DENIS:

The totals from Performance Indicators No. 3 through 6 do not add up to equal the total from Performance Indicator No. 2.

MR. SOSEBEE:

That is correct. Several exchanges we support are not reflected in these figures. We currently support two agencies with an electronic booking document

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exchange. That figure is not represented in the indicators because it was not expected to be a priority as we move forward.

Ms. BJORK:

I will now discuss the budget for Judicial Education, B/A 101-1487.

Judicial Education — Budget Page JUDICIAL-34 (Volume I)
Budget Account 101-1487

This account funds five positions. In 2009, the Legislature authorized a sixth position which is not included in this budget.

This account requests \$1,862,023 in FY 2011-2012 and \$1,408,000 in FY 2012-2013. It is funded entirely from administrative assessment revenue.

This account funds the mandatory and AOC-sponsored education of district judges and limited judges. This includes events such as the Nevada Judges of Limited Jurisdiction Winter and Summer Conferences, the District Judge Annual Conference, the Family Law Conference, the District Judge College and mandatory training. The training is mandated by NRS 3.027, NRS 4.035, NRS 5.025 and in various court orders.

This account will also fund the non-AOC-sponsored education of judges at the discretion of the Advanced Education Subcommittee of the Judicial Council of the State of Nevada. The account also funds other costs.

Reserves in this budget are sufficient to fund two months' worth of the program's adjusted Base Budget going into FY 2013-2014. There are some minor enhancements.

Decision unit E-438 requests \$9,260 to upgrade the program's meeting track software for online registrations.

E-438 Supreme Court — Improve State Judiciary Technology — Page
JUDICIAL-36

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Decision unit E-439 requests \$15,000 to train all of the court and AOC staff on the use of Microsoft Office.

E-439 Supreme Court – Improve State Judiciary Technology — Page JUDICIAL-36

Decision unit E-444 requests approximately \$30,000 over the biennium to fund the research, development and delivery of distance education.

E-444 Supreme Court – Court Strategic Initiatives — Page JUDICIAL-37

Decision unit E-710 allows us to replace hardware that has aged five years or is no longer under warranty.

E-710 Equipment Replacement — Page JUDICIAL-37

CHAIR DENIS:

Do you contract with someone outside the State to provide the Microsoft Office training?

Ms. BJORK:

That \$15,000 will allow us to bring someone in to train the 173 employees.

CHAIR DENIS:

In FY 2009-2010, you projected sponsoring 29 courses and seminars, but ended up sponsoring only 18. For the upcoming biennium, you reduce your projections to six and nine seminars. Could explain that reduction?

Ms. SWEET:

The Supreme Court justices have carefully evaluated this budget and have made significant cuts to the offerings of the Judicial Education unit. We had planned to offer 29 courses during the last fiscal year, but reduced that number to 18 in response to budget constraints. We will sponsor fewer in the coming biennium. The nine courses planned for FY 2011-2012 are going to be basic judicial education courses. The limited jurisdiction judges have two conferences a year. The general jurisdiction judges have two conferences a year. There will be legal

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writing training for the court staff. We will be offering only the most essential courses until the economy recovers.

CHAIR DENIS:

This seems to be a trend in your other performance indicators as well. Are these also situations in which you have need for the services but have chosen to make cuts in response to budget constraints?

MS. SWEET:

Yes. The Justices recognize that we have statutory rules that require legal education for the judges, and we are required to meet those obligations. The education for court staff is less of a necessity, and will be provided as funds are available.

CHAIR DENIS:

Please address the decreasing reserve levels in this budget. Do you feel that this is an appropriate level?

MS. BJORK:

Every year, we set aside funds for a judicial leadership conference that is held once every four years. In FY 2012-2013, this budget account will have \$80,000 in special reserves that have been set aside for that purpose. The general reserve level of \$186,038 is sufficient to fund this budget account's costs for the first two months of the fiscal year and possibly more, as these events are scheduled throughout the year. We are comfortable with these reserve levels.

I will now discuss the Specialty Court budget, B/A 101-1495.

Specialty Court — Budget Page JUDICIAL-40 (Volume I)
Budget Account 101-1495

The funding for this account is provided for in several sections of NRS. Section 176.0613 of the NRS provides for the collection of a Specialty Court administrative assessment fee. Section 176.059 of the NRS provides for the allocation to this account of 12 percent of the Judicial Branch share of

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administrative assessment revenue. Section 178.518 of NRS allows this account to collect a 10 percent share of revenue from bail bond forfeitures.

This budget funds 46 Specialty Court programs which serve approximately 3,330 clients. The expenditure levels in this account are authorized by the Specialty Court Funding Committee. This is a pass-through account in that it will distribute the funds it receives.

The revenue projections show a 5 percent decline in the Specialty Court Administrative Assessment revenue from FY 2009-2010 actual levels, and then flat growth in the next year of the biennium. Collections from bail bond forfeitures are expected to remain flat.

In a January meeting, the Judicial Council authorized the budget as it is reflected in FY 2011-2012, which has been carried over to FY 2012-2013. However, the Specialty Court Funding Committee will ultimately decide the funding levels for FY 2012-2013 depending on funds available. The final decision will most likely be made in December of this fiscal year.

There are two reserve levels in this account. We distribute funds to these 46 programs quarterly, beginning in July. We require a reserve to ensure that sufficient funding is carried forward for the first quarter distribution.

There is also a reserve of \$300,000 to cushion the account in case of revenue fluctuations.

CHAIR DENIS:

Why did you elect to reduce your expenditures by 20 percent?

CHIEF JUSTICE DOUGLAS:

We have a number of meetings each year with participants in the Specialty Court programs. We place before them the options that we have with our limited funds. The reduction was in response to a request by the participants. They wanted to be able to fund more programs. As they were losing other types of revenue, they wanted to replace that with revenue from our special grants. They also wanted to fund additional programs with a new

court. They were warned as to the potential impacts of this, but they chose to go forward.

There is a hole in this budget because it does not encompass the mental health courts. We fund a very small portion of the mental health courts. We do not fund the beds for them and we do not fund certain medications. Our support provides for court time only.

CHAIR DENIS:

There are significant increases in the reserve levels. Are you considering restoring some of this expenditure funding that has been cut?

CHIEF JUSTICE DOUGLAS:

We would restore funding if we saw assessment revenue collections increase. Currently, we feel that we are at the lowest level of funding possible to allow the program to function throughout the State. We do not want to diminish the programs. They provide a significant amount of benefit to the communities in which they are located. We are investigating community offsets that might help these programs.

These cuts are troubling. The programs work. They keep people out of jail. They allow people to return to a cycle of productivity. Our funding is extremely limited because of the additional people who have had to come into the system during the last year and one-half as a result of lost homes or jobs. There is no easy answer to the question on reserve levels. Our reserves are not sufficient. We would like more money, but we acknowledge that we are not in a position to be asking for it at this time. We tried to pare back those reserves to the minimum level.

CHAIR DENIS:

You are saying that it is important to make these cuts. By that, however, you imply it is more important for other programs to retain their expenditures.

CHIEF JUSTICE DOUGLAS:

Our goal is to find a way to provide our primary services. The Judicial Branch was never intended to be a social service agency, but we have been asked to provide input on social services. From a judicial standpoint, we are glad that the

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Specialty Courts allow us to incarcerate fewer individuals. The rate to incarcerate an individual at Nevada State Prison is approximately \$23,000 to \$25,000 a year. Any time we can place individuals in a Specialty Court rather than send them to prison, we are saving a significant amount of money for the State. The same correlation applies in the local county jails.

We have a limited amount of money to deal with, however. This funding was earmarked for a special purpose.

CHAIR DENIS:

If the Specialty Courts are functioning, there is a savings to both the State and to the counties.

CHIEF JUSTICE DOUGLAS:

Eight years ago, the Legislature provided us with a dedicated revenue fund from assessments that allowed us to create and fund the Specialty Courts. On a regular basis, we attempt to augment our funding. A number of our courts have received federal grants. When that money runs out however, we must earmark money in our Specialty Court budget to continue that funding.

CHAIR DENIS:

It appears that a case could be made for restoring some of the money that has been cut from this budget.

CHIEF JUSTICE DOUGLAS:

I would agree.

CHAIR DENIS:

What is your current projection for the balance forward amount from FY 2010-2011 to FY 2011-2012?

MS. BJORK:

Currently, we project to have a balance forward amount of \$1,389,710 from FY 2010-2011 to FY 2011-2012. This will equal a quarter of the amount of distribution approved in FY 2011-2012.

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ASSEMBLYMAN GRADY:

Are the courts established in all counties or just in the two urban counties?

CHIEF JUSTICE DOUGLAS:

Specialty Courts are established in all counties. We have two senior judges who are dedicated to assisting the rural courts in order to make this possible.

MS. BJORK:

The pay for senior judges asked to cover Specialty Courts is included in this budget. The Specialty Court Coordinator is funded from the AOC budget account.

I will now discuss the Foreclosure Mediation Program, B/A 101-1492.

Foreclosure Mediation Program — Budget Page JUDICIAL-43 (Volume I)
Budget Account 101-1492

This budget account is new. It was built from scratch starting on July 1, 2009. The Foreclosure Mediation Program was established by A.B. No. 149 and A.B. No. 65 of the 75th Session.

This budget currently funds 20 full-time positions, a director and an assistant. It includes an intake unit, a mediation and training unit and a quality service unit. There are 293 mediators.

This program receives notice of default fees which are shared with the General Fund. The projections for those fees are based on those of the State of Nevada Economic Forum. We receive approximately \$50 of the total \$200 notice of default fee. The General Fund receives the other \$150. We also collect a \$400 mediation service fee. One-half of this is paid by the lender and one-half is paid by the homeowner once both enroll in the program.

There are two reserves in this account. Category 86 describes our general reserve, which would cover our ongoing costs of the program. The other reserve is for mediations in process that have not yet been paid.

There is one enhancement in this budget account for \$13,812.

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E-326 Deliver Public Services Directly and Efficiently – Page JUDICIAL-45

This would provide training for employees.

The workload, as well as the revenue, for this account is projected to be flat.

ASSEMBLYMAN CONKLIN:

The reserve levels for this account appear to be substantially high relative to the total revenue. Given that this is a new account, have you had time to develop an analysis of what an appropriate reserve level might be?

CHIEF JUSTICE DOUGLAS:

This has been a work in progress. We are trying to get the program completely up and running. There are several areas of the program that we have not yet established. This includes a component through which users of the system could use e-Filing to process applications, payments and documents. This would be an expensive component to implement. We have been in discussions about whether this is something we can do. Additionally, foreseeing a time when foreclosure rates decline and mediation is no longer necessary. We must look into the costs of winding the program down. This time frame would coincide with a decline in foreclosure-related fee revenues.

Unfortunately, it appears that the foreclosure problem will be a reality into the foreseeable future.

ASSEMBLYMAN CONKLIN:

I agree with your assessment. I believe that the foreclosure problem this year will be greater than last year.

Please explain why the fees for these programs are growing at a faster pace than our expenditures. One could argue that we are generating more money than we need. Perhaps we should be considering other components for this program that might be beneficial to the parties involved. We could also investigate ways of benefitting the process. The sooner we can get houses back on the market and allow them to be repurchased, the sooner the market can begin to grow. I realize that this means a continued decline in housing prices, but this is an important step towards recovery.

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I make this statement because I believe that we will have these kinds of conversations in policy committees this session. We need to consider speeding up this process. We need to weed out the homes that are stuck in the process. I would encourage the Judicial Branch to look at this extra funding as an advantage in solving problems that are not necessarily judicial in nature, but still have implications for a great number of people. Making improvements to this program would not only help the economy but help the General Fund as well.

CHIEF JUSTICE DOUGLAS:

I concur. We need to make some decisions about our IT capabilities. From a business standpoint, some of these processes do not make sense. We cannot spend money on an expensive system of communication over five years, but for a two- or three-year period, these expenses may be necessary in order to expedite the process.

We were authorized to investigate mortgage foreclosure within the business community. We have not done that as we are still trying to make sure we have the owner-occupied foreclosure program set up correctly. If we are able to move into this other phase by the end of this year, this would also drive expenditure of those secondary funds.

ASSEMBLYMAN CONKLIN:

Please discuss the grants program that was set up in this account.

MS. BJORK:

We have \$300,000 budgeted in each year of the biennium for a grant program. That program began in FY 2010-2011.

ASSEMBLYMAN CONKLIN:

How many awards have you made through this program? How many do you intend to make? How will this assist the foreclosure mediation program?

MS. SWEET:

We have made five awards to four groups. The groups submitted grant applications proposing different projects, primarily in the area of homeowner education or assistance. Some of these projects proposed legal assistance for

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homeowners. One was a proposal to make a video to educate the homeowner on the foreclosure process.

CHIEF JUSTICE DOUGLAS:

We recently received requests for assistance from the Second and Eighth Judicial Districts for funding for a position that would deal with foreclosure mediation in their courts. This would be a data management position.

We have been in discussions regarding how to present data to the Legislature concerning the numbers of foreclosures currently in our court system. We also want to provide statistics related to organizing the cases by the related legal issue. We do not have the advanced capability to do this right now. We would prefer to describe figures without sifting through the case records by hand.

ASSEMBLYMAN CONKLIN:

Given this limitation, would you be able to describe any of the successes of the program?

CHIEF JUSTICE DOUGLAS:

We could give the Subcommittee a general sense of the program's accomplishments.

ASSEMBLYMAN CONKLIN:

This would be a good opportunity to describe to some of the newer Subcommittee members the overview of this program's current and potential accomplishments.

VERISE V. CAMPBELL (Deputy Director, State of Nevada Foreclosure Mediation Program, Office of Court Administrator):

In the Foreclosure Mediation Program's first year of operation, we completed over 4,200 mediations. Eighty-nine percent of the homes from that total did not go into foreclosure. Sixty-one percent of the total cases reached an agreement in addition to avoiding foreclosure. Forty-six percent of the total cases resulted in an agreement in which the homeowner would remain in the home, and 15 percent resulted in an agreement in which the homeowner would vacate the

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home. In these cases, the homeowner received a plan for when and how they would be asked to vacate.

CHAIR DENIS:

How many homes do those percentages represent?

MS. CAMPBELL:

We have only recently brought our case management system online, and as a result of this we are unable to provide those figures at this time.

CHAIR DENIS:

If the numbers are unavailable, how did you compute that 46 percent of homeowners in the program were allowed to stay in their homes?

MS. CAMPBELL:

These numbers are lumped together in the case management system. We are in the process of extrapolating the exact numbers from that data.

ASSEMBLYMAN ATKINSON:

Please provide those numbers to the Subcommittee and to the public when they become available.

MS. CAMPBELL:

We would be happy to do that.

CHAIR DENIS:

These numbers would be very helpful to have. When we speak of percentages of people keeping their homes or having to vacate their homes, I think it is important to know exactly how many people that represents.

MS. CAMPBELL:

I would like to add that our program has recently been recognized throughout the country as a model state foreclosure mediation program. We have been invited by Vice President Joe Biden to participate in a discussion about best-case-scenario foreclosure mediation programs. That offer was extended to us in November of 2010.

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CHAIR DENIS:

It is good to see some positive things associated with the State.

I would like to now have the representatives of the Judicial Branch discuss their reasons for not implementing furlough days in the previous biennium.

CHIEF JUSTICE DOUGLAS:

It was our understanding that the furloughs were not mandatory. In the beginning, the Supreme Court entered into dialogue and chose to determine how we could reduce our budget and give directly back to the State of Nevada. We chose to cut our budget by five percent across the board and return that money to the State. We have been on close watch to make sure that we stayed within our budget for the remainder of the budgetary period. Legislation was passed during the 26th Special Session that would have made furloughs mandatory for all branches. Governor Gibbons chose not to sign it.

We understood that we should stay within our budget. We understood that we should not get into the position of needing to approach IFC to request additional funding to make up for a budgetary shortfall. We continue to watch the parameters of our budget very closely.

CHAIR DENIS:

I do not recall the furlough program being discussed as an optional implementation. I remember talking about the shared sacrifices that needed to be made by State employees across the board.

What budget reductions did you implement to replace the impact that the furloughs would have provided?

CHIEF JUSTICE DOUGLAS:

We made adjustments to the rates of pay for our employees. We did not give salary increases during the biennium.

As one of the branches of government, we are given the authority to manage our branch. We are asked to do certain things. In the beginning, when we made the decision to turn 5 percent of our budget back over to the State rather than implement furloughs, we were not told that this was unacceptable. Had we

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then imposed the additional furlough, we would have been asking our employees to make an unreasonable sacrifice. We can talk about shared sacrifice. We chose not to give raises before the furlough system was implemented.

Ultimately, we are most concerned with providing our services to the State of Nevada. We think that what we did was appropriate. When discussing the differences in implementing furloughs versus returning budgetary dollars up front, I would say that there is little difference at this point. I understand the Subcommittee's concerns about shared sacrifice, but the Judicial Branch has not been immune to budgetary cuts just because we did not implement a furlough.

CHAIR DENIS:

Are you continuing the previous reductions into the next biennium?

MS. BJORK:

We sent a letter to IFC in 2009 regarding the Court's decision regarding furloughs. In addition, I would refer the Subcommittee to the court order on furloughs, Administrative Docket ADKT 437. In November of 2009, then Chief Justice Hardesty gave a presentation before IFC regarding the Court's decision in this matter.

The reductions that have been made will be continued into the next biennium. They total about \$2,766,000 over the next biennium. These are permanent reductions that have been made to ongoing costs.

ASSEMBLYMAN CONKLIN:

I would imagine that the Supreme Court would understand the issue of equity that we are dealing with.

The State of Nevada has many employees throughout many divisions. This includes the Judicial Branch and the Legislative Branch. Almost all of these employees took a furlough day, and all are similarly facing a wage reduction in the upcoming biennium.

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I would hope that the Judicial Branch would understand that it is very difficult to tell one group of State employees that they have to do one thing, while telling another group of employees that they may do something different.

When one branch does not take the same pay cuts as the other branches of government, they then have a leg up in recruiting employees. This creates an atmosphere in which people from one branch are looking to move to another because they feel more secure. This is not a healthy environment, from a human resources standpoint.

CHIEF JUSTICE DOUGLAS:

I share your sentiments. There are three branches of government and, unfortunately, each one treats their employees slightly differently. We have lost employees to other branches of government because they pay better.

I do not want us to begin with the assumption that the Judicial Branch has not felt the pain of budget constraints. We have chosen to pay less rather than implement the furloughs. We have felt pain. I would be more than happy to provide the Subcommittee with appropriate information.

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CHAIR DENIS:

I would like to set up an outside meeting in which we can discuss some of these issues.

As there is no further comment, this meeting is adjourned at 10:02 a.m.

RESPECTFULLY SUBMITTED:

Wade Beavers,
Committee Secretary

APPROVED BY:

Senator Mo Denis, Chair

DATE: _____

Assemblyman Marcus Conklin, Chair

DATE: _____

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EXHIBITS

Date: March 1, 2011

Time of Meeting: 8:09 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Deanna Bjork/ Supreme Court	Supreme Court Budget Presentation