

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

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

The Senate Committee on Finance was called to order by Chair Steven A. Horsford at 8:12 a.m. on Wednesday, April 6, 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.

**COMMITTEE MEMBERS PRESENT:**

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

**COMMITTEE MEMBERS ABSENT:**

Senator Moises (Mo) Denis (Excused)

**STAFF MEMBERS PRESENT:**

Erica Eng, Program Analyst  
Rex Goodman, Principal Deputy Fiscal Analyst  
Mark Krmpotic, Senate Fiscal Analyst  
Patricia O'Flinn, Committee Secretary

**OTHERS PRESENT:**

Andrew Clinger, Director, Department of Administration  
John R. McCormick, Rural Courts Coordinator, Administrative Office of the Courts  
Tina Leiss, Operations Officer, Nevada Public Employees' Retirement System

**CHAIR HORSFORD:**

We will open the hearing today with Senate Bill (S.B.) 436.

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**SENATE BILL 436**: Transfers the responsibility to deposit certain money for the purpose of paying pension benefits to justices of the Supreme Court or district judges from the State of Nevada to the Court Administrator. (BDR 1-1177)

ANDREW CLINGER (Director, Department of Administration):  
Senate Bill 436 is submitted on behalf of the Budget Division of the Department of Administration. This bill transfers the responsibility for transferring General Fund appropriations for pension benefits from the Department of Administration to the Administrative Office of the Courts.

CHAIR HORSFORD:  
An amendment to S.B. 436 has been proposed. Have you reviewed it?

MR. CLINGER:  
Yes, I have reviewed it and I have no problem with the amendment.

JOHN R. MCCORMICK (Rural Courts Coordinator, Administrative Office of the Courts):  
The intent of this amendment (Exhibit C) is to clarify that the State of Nevada shall make an appropriation to fund the cost of any deposit made by the Court Administrator into the Judicial Retirement Fund.

TINA LEISS (Operations Officer, Nevada Public Employees' Retirement System):  
The Nevada Public Employees' Retirement System (PERS) Board of Directors has not had an opportunity to take a position on S.B. 436. Staff will recommend that the PERS Board take a neutral position on this bill. The bill has no impact on the system as it only changes who submits the payment. The payment would still be required and the bill does not change the timing or the amount of the payment.

CHAIR HORSFORD:  
When will the PERS Board be meeting next?

MS. LEISS:  
The PERS Board meets the third Wednesday of the month which would be April 20, 2011.

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CHAIR HORSFORD:  
That is after our closing deadline.

Ms. LEISS:  
That is correct. Staff will recommend a neutral position.

SENATOR LESLIE MOVED TO AMEND AND DO PASS S.B. 436.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR KIECKHEFER WAS ABSENT FOR THE VOTE.)

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CHAIR HORSFORD:  
The Committee will now start with the Senate Committee on Finance Closing List #1 ([Exhibit D](#)).

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

Certain items pertaining to global closing issues will not be decided today. In each of the budget accounts throughout State government, there are decision units that cannot be closed until the Committee closes certain budget accounts that allocate costs. This includes M-100 Statewide Inflation that changes various rates paid to internal service agencies such as the Attorney General, the State Motor Pool, the Department of Information Technology (DoIT), the Division of Buildings and Grounds, vehicle insurance, purchasing assessment, property and contents insurance, and statewide cost allocation. Generally, these issues will be decided upon once the Committee closes certain budget accounts that allocate these costs. Further global decision units that are impacted in this way include: M-300, E-670, E-671, E-672, E-673 and E-674. Therefore, Fiscal Staff requests the Committee grant Staff authority to make technical adjustments to these line items in the budget accounts as they are closed. Staff generally requests the same authority to make adjustments to the payroll and personnel assessments, DoIT allocations, purchasing assessments, Attorney General allocations and the statewide cost allocations once they are finalized.

The first account to be closed is the Office of the Governor, budget account (B/A) 101-1000.

### ELECTED OFFICIALS

#### Office of the Governor — Budget Page ELECTED-1 (Volume I) Budget Account 101-1000

There are no major issues in this budget. The Committee will note adjustments to revenue and expenditures on page one of [Exhibit D](#) resulting in a General Fund increase of \$1,918 in fiscal year (FY) 2011-2012 and \$1,944 in FY 2012-2013. These are technical adjustments for part-time positions that were not reflected properly in the budget.

There are two closing items on page two of [Exhibit D](#). The first item is decision unit E-640 which recommends the elimination of three temporary positions and the associated operating costs that were added to the Governor's Office during the 2009-2011 biennium to administer the Governor's American Recovery and Reinvestment Act (ARRA) Director's Office. Due to the expiration of ARRA funds, the positions will not be required in the 2011-2013 biennium. The costs associated with eliminating the three positions totaling \$316,610 in FY 2011-2012 and \$320,997 in FY 2012-2013 are reflected as General Fund budget reductions in decision unit E-640.

#### E-640 Budget Reductions — Page ELECTED-2

Decision unit E-710 recommends General Funds of \$10,924 in FY 2011-2012 and \$10,060 in FY 2012-2013 for the replacement of computer hardware and software.

#### E-710 Equipment Replacement — Page ELECTED-4

Does the Committee wish to approve the budget as recommended with the technical adjustments reflected on page 1 of [Exhibit D](#)? Staff requests authority to adjust the Department of Administration cost allocation in B/A 101-1000 based on the final closing adjustments of other accounts that affect that allocation.

SENATOR CEGAVSKE MOVED TO APPROVE B/A 101-1000 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS FOR THE SALARIES OF TWO PART-TIME POSITIONS AND TO GRANT STAFF THE AUTHORITY TO ADJUST THE DEPARTMENT OF ADMINISTRATION COST ALLOCATION AMOUNTS BASED ON FINAL CLOSING ADJUSTMENTS IN OTHER ACCOUNTS THAT AFFECT THE ALLOCATION.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MR. KRMPOTIC:

The next item is B/A 101-1001, Governor's Mansion Maintenance Account.

Governor's Mansion Maintenance — Budget Page ELECTED-6 (Volume I)  
Budget Account 101-1001

This budget accounts for funding provided for staffing, operation and maintenance of the Governor's Mansion in Carson City. There are no technical adjustments or major closing issues in this account. After the Twenty-sixth Special Session, the Governor's Office submitted a work program to eliminate the position of assistant to the first lady to achieve a budget reduction target. Later, a 0.65 full-time equivalent (FTE) was added back to the Mansion staff pursuant to the Governor's authority to determine salaries of staff within the limits of monies available. The actions of Governor Gibbons in the current biennium resulted in a total of 3.16 FTE for B/A 101-1001. The *Executive Budget* as recommended by Governor Sandoval reduces staffing to 2.64 FTE.

The following additional adjustments to the Base Budget are noted for the Committee's information. Food was increased by \$5,628 to \$12,464 in FY 2011-2012 and by \$60,929 to \$67,765 in FY 2012-2013. The Host Fund was increased by \$6,586 in FY 2011-2012 and by \$11,684 in FY 2012-2013.

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Decision units E-500 and E-900 recommend the transfer of expenditures for monthly trash service for the Governor's Mansion from the Buildings and Grounds Account, B/A 710-1349 to this account.

## FINANCE AND ADMINISTRATION

### ADMINISTRATION

Administration – SPWD – Buildings & Grounds — Budget Page ADMIN-95  
(Volume I)  
Budget Account 710-1349

E-500 Adjust Transfer from B&G to Governor's Mansion — Page ELECTED-7

E-900 Transfer from B&G to Governor's Mansion — Page ELECTED-8

This recommendation would treat trash service for the Mansion in the same manner that utility costs are currently treated.

SENATOR CEGAVSKE MOVED TO APPROVE B/A 101-1001 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT STAFF AUTHORITY TO ADJUST THE DEPARTMENT OF ADMINISTRATION COST ALLOCATION AMOUNTS BASED ON FINAL CLOSING ADJUSTMENTS IN OTHER ACCOUNTS THAT AFFECT THE ALLOCATION.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MR. KRMPOTIC:

The next item is B/A 101-1011, Governor's Washington Office.

Governor's Washington Office — Budget Page ELECTED-10 (Volume I)  
Budget Account 101-1011

There are no major closing issues in this account. Funding is recommended over the biennium at \$247,079 for each year. This budget account is funded by a mix of General Funds, Room Tax Funds and Highway Funds. The expenses in B/A 101-1011 represent a contract with District Strategies, LLC. Approximately 70 percent of the expenditures in B/A 101-1011 are salary and benefits. The contractor indicates the funding will be sufficient for two FTEs, but the paid internship used in previous years will end due to a lack of available funding. The current contract with District Strategies, LLC ends on June 30, 2011.

SENATOR RHOADS MOVED TO APPROVE B/A 101-1011 AS RECOMMENDED BY THE GOVERNOR.

SENATOR CEGAVSKE SECONDED THE MOTION.

CHAIR HORSFORD:

Has there been a request for proposal (RFP) for this contract?

MR. CLINGER:

I do not know. I will have to get back to the Committee with that information.

CHAIR HORSFORD:

It is April and this contract expires in June. I would like to get the answer before I am comfortable supporting the motion.

SENATOR LESLIE

In light of the work the Subcommittee has been doing on statewide contracts, when was the last the time this contract went to RFP?

MR. CLINGER:

I do not know.

SENATOR LESLIE:

Can you find that out? The Purchasing Division stated at a Subcommittee hearing that all contracts must be rebid at least once every four years.

CHAIR HORSFORD:

Until we get the answer to this question, I would like to hold the motion.

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SENATOR RHOADS:  
I withdraw the motion.

SENATOR CEGAVSKE:  
I withdraw the second.

MR. KRMPOTIC:  
The next account is the State Fiscal Stabilization Account, B/A 101-1007.

State Fiscal Stabilization Account — Budget Page ELECTED-12 (Volume I)  
Budget Account 101-1007

This budget account was created by the 2009 Legislature to account for Nevada's allocation of State Fiscal Stabilization Funds pursuant to ARRA. Stabilization funds have been received and will be spent by the end of this fiscal year. No additional State Fiscal Stabilization Funds are identified. During FY 2010-2011, the Interim Finance Committee (IFC) approved work programs for this account to accept \$83.1 million in EdJobs Funds that will be allocated to the Department of Education. As a result of discussions with school districts, the Department of Education has indicated that approximately \$37.7 million of the EdJobs funds will not be drawn down until FY 2011-2012. A technical adjustment will be required to grant Staff revenue and expenditure authority for these funds.

SENATOR CEGAVSKE MOVED TO APPROVE B/A 101-1007 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS AS RECOMMENDED BY STAFF AND GRANTING THE AUTHORITY TO ADJUST THE EDJOBS REVENUE AND EXPENDITURE AUTHORITY TO MATCH THE AUTHORITY APPROVED FOR SUCH FUNDS IN THE DEPARTMENT OF EDUCATION'S DISCRETIONARY GRANTS IF THE DEPARTMENT HAS UPDATED PROJECTIONS AT THE TIME THAT ACCOUNT IS CLOSED.

SENATOR LESLIE SECONDED THE MOTION.

SENATOR KIECKHEFER:  
Will having the EdJobs money in the State Stabilization account affect the intended purpose of those funds? The State Stabilization account is not only the "Rainy Day Fund," correct?



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MR. KRMPOTIC:

The name of the Stabilization Account originated with the State Fiscal Stabilization ARRA funds that were flowed through this account originally. This is not the "Rainy Day Fund" which is otherwise known as the Account for the Stabilization of the Operation of State Government.

CHAIR HORSFORD:

Will these funds be booked in such a way that State support for education will appear to be higher even though the funds are onetime federal resources?

MR. KRMPOTIC:

These funds will flow directly to the school districts. They will not pass through the Distributive School Account.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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MR. KRMPOTIC:

The next item in [Exhibit D](#) is B/A 101-1020.

Lieutenant Governor — Budget Page ELECTED-50 (Volume I)  
Budget Account 101-1020

There are no major issues or specific technical adjustments in this account. The Governor recommends reduced staffing in the Office of Lieutenant Governor by deleting a vacant executive assistant position in decision unit M-160 and reducing a vacant administrative secretary position to a 0.40 FTE in decision unit E-606.

M-160 Position Reductions Approved During Biennium — Page ELECTED-51

E-606 Staffing and Operating Reductions — Page ELECTED-52

Decision unit E-710 recommends General Funds totaling \$360 over the biennium for the replacement of two inkjet color printers and antivirus software.

E-710 Equipment Replacement — Page ELECTED-53

During the agency's budget hearing, the Lieutenant Governor indicated he was concerned with the level of out-of-state funding included for his office in the *Executive Budget*. The Governor recommends funds totaling \$4,209 in each year of the biennium, which is the amount expended from this account for out-of-state travel in FY 2009-2010. The average out-of-state travel expenditures from this account over the past four fiscal years were \$5,062.

SENATOR CEGAVSKE MOVED TO CLOSE B/A 101-1020 AS RECOMMENDED BY THE GOVERNOR.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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ERICA ENG (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next item is B/A 101-1343.

Commission on Ethics — Budget Page ELECTED-199 (Volume I)  
Budget Account 101-1343

There are three major closing issues in B/A 101-1343. Both the State of Nevada and local governments participate in funding of the Ethics Commission based on the number of Requests for Opinion (RFO) submitted per agency. The 2009 Legislature approved a change in State and county funding to 35 percent State support and to 65 percent local government support based on actual usage in FY 2006-2007 and FY 2007-2008. The *Executive Budget* recommends the funding split be changed during the current biennium to 26 percent State and 74 percent local government support. Page 15 of [Exhibit D](#) outlines the number and percentage of RFOs for FY 2008-2009 and FY 2001-2010 by county and State. Staff recommends the Committee approve the change in funding to 26 percent State and 74 percent local government.

SENATOR LESLIE MOVED TO APPROVE THE CHANGE IN FUNDING TO 26 PERCENT STATE AND 74 PERCENT LOCAL GOVERNMENTS.

SENATOR KIECKHEFER SECONDED THE MOTION.

SENATOR RHOADS:

I do not see Elko County on this list.

Ms. ENG:

This list only represents those entities that have actually requested opinions from the Ethics Commission.

THE MOTION CARRIED UNANIMOUSLY.

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The next major closing issue in B/A 101-1343 is Budget Amendment No. A00192. This amendment proposes to reclassify the vacant, classified legal research assistant II position to an unclassified senior legal researcher. The reclassification would result in total reductions of \$15,215 in FY 2011-2012 and \$14,979 in FY 2012-2013 which includes General Fund reductions of about \$4,000 each fiscal year. To support the change, the agency indicates the other four positions with the Commission on Ethics are unclassified, and the classification of only one position creates two sets of human resource-related rules and standards regarding step and grade increases, supervision, and hiring and termination policies. The reclassification appears reasonable to Staff.

SENATOR PARKS MOVED TO APPROVE BUDGET AMENDMENT NO. A00192.

SENATOR LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Ms. ENG:

The third major issue in B/A 101-1343 is the agency's request to add two positions: one senior investigator and one deputy commission counsel. These positions were not included in the *Executive Budget* and no formal budget amendment has been submitted. According to the agency's calculations, the

total costs of the two positions would be \$161,028 in FY 2011-2012 and \$204,970 in FY 2012-2013 which includes General Fund appropriations of \$41,867 in FY 2011-2012 and \$53,292 in FY 2012-2013. The agency explains that the two new positions are needed based on a projected increase in caseload. The agency anticipates they will receive 138 RFOs in FY 2010-2011 based on those received during the first six months and a projection for the remaining six months. This is a 34 percent increase from FY 2009-2010. Staff notes the agency received 95 RFOs in FY 2008-2009 and 103 RFOs in FY 2009-2010 which is an 8 percent increase. According to the agency, higher utilization of the Commission's services is expected to continue due to an increase in outreach and training programs conducted by Commission employees.

CHAIR HORSFORD:

While the request may be appropriate, based on all the other issues related to the budget, I do not know if we can honor this request. Is there formal action the Committee must take if we do not approve this request?

MR. KRMPOTIC:

It is not included in the *Executive Budget*, therefore it does not require a formal vote of the Committee.

SENATOR PARKS:

If staffing is not increased, would the agency be able to respond to RFOs within statutory time limits?

MS. ENG:

The agency has indicated they currently have a backlog.

CHAIR HORSFORD:

It is not that the positions are not necessary, but there are too many other needs in the budget to accommodate this request at this time.

SENATOR LESLIE:

The additional cost to the General Fund is not as onerous as the cost to the counties. With all of the other costs that are being shifted to the counties this biennium, adding the cost of two new positions is not something I can support.

SENATOR CEGAVSKE MOVED TO APPROVE B/A 101-1343 AS RECOMMENDED BY THE GOVERNOR AND TO GRANT STAFF THE AUTHORITY TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS TO FINAL DEPARTMENTAL COST ALLOCATIONS AND ASSESSMENTS.

SENATOR LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR HORSFORD:

We will now hear S.B. 324.

SENATE BILL 324: Makes various changes concerning state financial administration. (BDR 31-748)

SENATOR BEN KIECKHEFER (Washoe County Senatorial District No. 4):

Senate Bill 324 addresses the issue of the flow of money when the federal government grants funds to the State. The current process requires the State agency to appear before the IFC for approval before the funds can be expended. That process can take six to nine months before an agency or department is able to start spending federal dollars. This is an unnecessary bureaucratic burden. Senate Bill 324 provides greater authority to the Executive Branch to expend the money.

The bill is brief. On page two, lines 37 through 40 are altered so that governmental grants exceeding \$100,000 in value are no longer prohibited from being accepted. On page three, lines one through five are the heart of the bill: "A State agency may accept governmental grants if the agency has the specific approval of the Governor or, if the Governor delegates this power of approval to the Chief of the Budget Division of the Department of Administration, the specific approval of the Chief." The effect is to utilize these grants more effectively and efficiently. Some grants must be expended within a year of being offered, and the current process can take up to six months to obtain approval from the IFC.

The current exemptions to the IFC process for all grants to the Nevada System of Higher Education and some grants to the Department of Health and Human Services (DHHS) are maintained in S.B. 324. The first DHHS exemption is related to *Nevada Revised Statutes* (NRS) 439A.081. While the DHHS is acting as the State health planning and development agency it may accept public health grants without seeking IFC approval. The second reference for DHHS is in NRS 433.395 relating to mental health services grants.

CHAIR HORSFORD:

Can you cite examples that create this need? Once the grant is accepted, how is expenditure authority handled?

SENATOR KIECKHEFER:

While I was employed at DHHS, I frequently heard anecdotal accounts of the problems created by the delay in accepting grants that had time limits on them. I do not have specific grant information today. The DHHS applies for and accepts hundreds, if not thousands, of grants that must be implemented within a specific time frame, and that is often a single year. The effort is to ensure dollars can be spent when they are received. Regarding the allocation of resources, the IFC action is an approval to accept the grant. There should not be an impact on how the dollars are expended.

CHAIR HORSFORD:

Typically, in an IFC work program there may be positions, cost allocations for facilities, direct program services and other adjustments and allocations that may have to be made. There may be an impact on appropriations at the State level that adjust how we account for those expenditures. I am interested in how the process would flow to guarantee transparency and proper accounting. For example, the Office of Energy has received grants that changed the entire legislatively approved allocation.

MR. CLINGER:

We do support S.B. 324. We would still go through the approval process on the work program, but it would go through the Budget Division rather than the IFC. The agency would still have to prepare the work program documents, they would be approved in the Budget Office and implemented into the State accounting system. The IFC Staff would then receive copies of work programs we approve.

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CHAIR HORSFORD:

Would that be at any level of funding? If we received a \$100 million grant would it just be approved by the Budget Office?

MR. CLINGER:

Under S.B. 324, that is correct.

CHAIR HORSFORD:

Why was the threshold eliminated rather than increased?

SENATOR KIECKHEFER:

The current threshold of \$100,000 is low in relation to federal grants for DHHS. I am open to the idea of increasing the threshold rather than eliminating it.

MR. CLINGER:

Senate Bill 73 also addresses the IFC thresholds for grants and other work programs. The difference is a requirement that IFC Staff, the Senate Fiscal Analyst, the Assembly Fiscal Analyst and I make a recommendation to the Board of Examiners and IFC on the criteria for the approval of all work programs, upon approval by the Board and IFC. The purpose of taking the dollar amounts out of statute is to create flexibility in obtaining approval for any work program.

SENATE BILL 73: Makes various changes concerning state financial administration. (BDR 31-427)

SENATOR CEGAVSKE:

Does this include the Department of Education?

SENATOR KIECKHEFER:

I think so. They are not excluded.

CHAIR HORSFORD:

I will close the hearing on S.B. 324 and ask Senator Kieckhefer to work with the Budget Director to compare the two bills and decide how to move forward.

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As there is no further business, this meeting is adjourned at 9:07 a.m.

RESPECTFULLY SUBMITTED:

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Patricia O'Flinn,  
Committee Secretary

APPROVED BY:

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Senator Steven A. Horsford, Chair

DATE: \_\_\_\_\_



<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
SB 436	C	John McCormick	Amendment to SB436
	D	Fiscal Analysis Division	Closing List #1