

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-sixth Session
April 19, 2011**

The Senate Committee on Finance was called to order by Chair Steven A. Horsford at 8:16 a.m. on Tuesday, April 19, 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 Moises (Mo) Denis
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Ben Kieckhefer

GUEST LEGISLATORS PRESENT:

Assemblywoman Debbie Smith, Washoe County Assembly District No. 30

STAFF MEMBERS PRESENT:

Rex Goodman, Principal Deputy Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Madison Piazza, Committee Secretary

OTHERS PRESENT:

Dotty Merrill, Ph.D., Executive Director, Nevada Association of School Boards,
Nevada Association of School Superintendents
Craig Stevens, Nevada State Education Association
Joyce Haldeman, Clark County School District
Jeffrey Mohlenkamp, Deputy Director, Support Services, Carson City,
Department of Corrections
James G. (Greg) Cox, Acting Director, Department of Corrections

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Deb Cook, Administrator, Administrative Services Division, Department of Motor Vehicles

Troy Dillard, Deputy Director, Department of Motor Vehicles

Mark Teska, Administrator, Administrative Services, Department of Public Safety

CHAIR HORSFORD:

We will open the hearing on Assembly Bill (A.B.) 565.

ASSEMBLY BILL 565: Temporarily delays the statutory deadline for notifying certain school employees of reemployment status. (BDR S-1276)

ASSEMBLYWOMAN DEBBIE SMITH (Washoe County Assembly District No. 30):

Assembly Bill 565 would extend the contract notification period for school personnel by two weeks. With sizable budget cuts facing the K-12 budget, A.B. 565 gives the districts some relief in having to notify teachers of their contract status. Some of the districts will avail themselves of this and others will not. Clark County School District probably will not utilize this two-week extension; the rural districts will use this extension and greatly appreciate it. If we can possibly avoid unnecessarily alarming anyone when we have not resolved the budget in its entirety, it is a good thing. In rural Nevada, when teachers are notified that they may no longer have a job, they will probably leave the community, because there are no other job opportunities for them.

We expedited the bill in the Assembly and hope you can do the same, so we can let the districts know that they will have a two-week extension on this contract notification period.

CHAIR HORSFORD:

What if we are not cleared by May 10, 2011?

ASSEMBLYWOMAN SMITH:

They will have to move forward. In the Seventy-fifth Session, we came to the conclusion that we can only go so far, and at some point, the districts have to make some decisions and start moving forward with what they need to do. This extension will hopefully give us some indication of where the budget will end up before the notifications must be made.

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CHAIR HORSFORD:

Is there any testimony in favor, against or neutral on A.B. 565?

DOTTY MERRILL, PH.D. (Executive Director, Nevada Association of School Boards, Nevada Association of School Superintendents):

We would like to thank Assemblywoman Smith for bringing forward this type of bill. This bill will provide some flexibility regarding the notification of post-probationary and probationary employees about their reemployment status for the next year. We strongly support this measure. We appreciate your expedited handling of this.

CRAIG STEVENS (Nevada State Education Association):

We can all appreciate what happens when someone receives a reduction in force (RIF) notice, the thoughts that go through the head, the realization that they may not have a job the following year. Even after that, they still have to be in that classroom, teaching those students, trying to get them to pass tests and get good grades. The amount of stress induced when they realize they may not have a job is great. We appreciate this body considering giving us an extra 15 days to whittle down those RIF notices, so those who normally would not receive one, will not receive one.

JOYCE HALDEMAN (Clark County School District):

When I testified in support of this earlier, I thought the Clark County School District would not take advantage of it. Logistically, these extra days will be needed. I implore you to pass this bill as it will be greatly helpful to us.

CHAIR HORSFORD:

I will close the hearing on A.B. 565.

SENATOR PARKS MOVED TO DO PASS A.B. 565.

SENATOR LESLIE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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I will turn over the meeting to Senator Leslie.

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VICE CHAIR LESLIE:

We will open the hearing on Senate Bill (S.B.) 470.

SENATE BILL 470: Makes a supplemental appropriation to the Department of Corrections for an unanticipated shortfall in Fiscal Year 2010-2011 for increased outside medical costs and payment of a stale claim. (BDR S-1227)

JEFFREY MOHLENKAMP (Deputy Director, Support Services, Carson City, Department of Corrections):

Through S.B. 470, we are requesting additional funding to pay for medical costs that the Department has, but does not have adequate funding to support. We are in the process of revising these numbers downward with the assistance of your Fiscal Staff. The current projection is just under \$2 million for this supplemental appropriation. I have been advised that they are continually working on it. I am unsure if you are ready to make a decision today or look for revised numbers going forward. We do anticipate that those numbers will decrease some more, but are not sure by how much.

VICE CHAIR LESLIE:

We will be hearing all the bills, but do not anticipate taking action. We want to take action soon on the supplementals, so please get with Staff to refine the number.

Please discuss why it will still be a large supplemental. The bill states "increased outside medical costs and payment of a single stale claim."

MR. MOHLENKAMP:

This bill was prepared in advance of the legislative process and the stale claim has since been taken care of. The stale claim of approximately \$400,000 was paid for with contingency funds. We are looking at a reduction of our overall costs based on our projections. Hospitalization rates are higher than they have been historically. The cost per bed day is up from what it was historically. We are trending closely with FY 2009-2010 and that year was significantly higher than previous years. It is a combination of utilization, outside medical services and the costs of those particular services. Last year we had just under \$1 million in medical needs and we used contingency funds. This year that number will be higher.

SENATOR PARKS:

Have you been able to distinguish if an inmate's age, either younger or older, plays into these higher numbers?

MR. MOHLENKAMP:

We have done that. We have found that the older inmates consume far more medical services. For example, inmates over the age of 60 consume approximately \$3,600 per year in medical expenses, as compared to inmates under the age of 45 who consume just under \$600 per year. The inmate population over 60 years old is growing and that is one contributor to the higher costs.

SENATOR RHOADS:

Why are medical costs increasing while the prison population is decreasing?

MR. MOHLENKAMP:

Our prison population is down from the high in 2009, but the older population has increased since that period of time by approximately 200 inmates. Additionally, the overall cost in medical care has increased. Although we have done some cost containment efforts to control that, we continue to be in the bottom one-third or one-quarter of all states in regards to aggregate medical costs.

SENATOR HORSFORD:

Is it true that inmates do not receive good time credit while in medical care?

JAMES G. (GREG) COX (Acting Director, Department of Corrections):

If they are not working, they do not receive credits. However, depending on the injury, they can receive credits, for example, if it is a camp or forestry injury. In general, if they are not working, they do not receive credits.

SENATOR HORSFORD:

What are the implications of that? If we look at Senator Rhoads' question further, we have a prison population decreasing but medical costs increasing, in part, due to the aging prison population. While they are receiving medical care they are not eligible for the other type of good time credit that others are earning. If we allowed some of those people to earn the same good time credits as other inmates, you might actually be able to release your longer term offenders resulting in savings for housing and medical costs for the Department.

Operationally, why has this population been exempted from those good time credits? Not necessarily in every case, but in the large percentage of the cases, if we provided that good time credit provision that is established in law, you would be able get these inmates out of prison and off the State budget.

MR. COX:

There are work credits and good time credits. I will review what you are proposing and what the impact would be in regards to our policies and the law regarding it. They will receive good time credits, but not work credits because they are not working.

VICE CHAIR LESLIE:

So they do receive good time credits, just not work credits.

SENATOR KIECKHEFER:

When touring these facilities, I observed that those who appear to need the most medical care are those who are aging. Of the aging population, are most of them going to be in a position to earn enough credits to be released, or are they there for the long haul?

MR. COX:

Approximately 94 percent to 96 percent of our population will eventually reenter society. The population with the most severe medical issues is housed at the Regional Medical Facility and Northern Nevada Correctional Center. Overall, we do a fairly good job of keeping medical costs to a minimum.

VICE CHAIR LESLIE:

When can you provide your analysis to us?

MR. COX:

I can get it to you by Monday, April 25, 2011.

VICE CHAIR LESLIE:

We want to work with you. Has research shown that inmates are less dangerous at a certain age?

MR. COX:

The prison population is getting older across the Country. Corrections is looking at different proposals to reduce costs, such as long-term care facilities. Those are avenues that we can look at to try to reduce our costs.

VICE CHAIR LESLIE:

We will close the hearing on S.B. 470.

We will open the hearing on S.B. 472. There is a very small fiscal note attached, is this correct?

SENATE BILL 472: Makes a supplemental appropriation to the Department of Corrections to cover stale claims for prison medical care. (BDR S-1228)

MR. MOHLENKAMP:

That number is correct and will not change. This is prior year claims and we are requesting a supplemental to cover those stale claims.

VICE CHAIR LESLIE:

We will close the hearing on S.B. 472.

We will open the hearing on S.B. 474 which makes a supplemental appropriation of \$1,420,522 to the Department of Corrections.

SENATE BILL 474: Makes a supplemental appropriation to the Department of Corrections to offset a reduction in funds for the State Criminal Alien Assistance Program. (BDR S-1229)

MR. MOHLENKAMP:

This reduction is due to a decline in federal appropriations from what was budgeted historically. We have seen that the State of Nevada, as well as many other states, has reduced grant allocations. We have requested appropriations to fill in some of the gaps. We have been able to fill in a portion of these gaps ourselves, so we will be reducing this request to just under \$1 million. We will be able to work with your Staff to come up with a final number in the near future.

VICE CHAIR LESLIE:

Please describe the State Criminal Alien Assistance Program.

MR. MOHLENKAMP:

The Department receives funds from the federal government through the Bureau of Justice. This grant provides funding if you have aliens confined. It goes to states, counties and municipalities and is based on bed days and the salaries of officers. They reimburse the State for a portion of it, but it is a fairly small portion of the cost of housing illegal immigrants.

VICE CHAIR LESLIE:

Is this while they are waiting for U.S. Immigration and Customs Enforcement (ICE) to show up?

MR. MOHLENKAMP:

It would make sense that ICE would take them. We have been housing many for a long period of time, as have many other states. I recently reviewed the numbers of illegal immigrants that remain in State custody for years, although our State is not unusual, is high.

VICE CHAIR LESLIE:

Where I work at the District Court, you cannot tell what the ICE policy is. One day it is this, the next it changes. If I understand this correctly, the federal government used to give us more money and now they are giving us less money, which is why you need the supplemental?

MR. MOHLENKAMP:

That is exactly correct. They had increased it, and now it is decreasing.

SENATOR KIECKHEFER:

Since ICE does not have a good policy, is there any expectation that they will come pick up these inmates?

MR. MOHLENKAMP:

In the past few years, we have not been able to reduce our illegal immigrant population.

MR. COX:

A few years ago, we worked with ICE and were able to remove 150 to 155 illegal immigrant inmates from our population. Looking at the population at the time, those who remained in our custody were incarcerated for substantial

violent crimes. Basically, they removed the inmates who were in minimum custody, but not the medium or close custody inmates.

SENATOR KIECKHEFER:

I recall that Justice Hardesty was developing a program to work with you to remove some illegal residents from your population and have them deported back to their home countries. Is that an ongoing process?

MR. COX:

Yes, it is. The ICE has come to all of our facilities and reviewed the population. Clark County has a program where they identify them when they come to jail. We work closely with ICE to identify the population. The issue is that the current population is mostly close to medium custody inmates and cannot be removed.

SENATOR KIECKHEFER:

How many inmates do you have that you currently identify as illegal immigrants and what is the cost of that? What percentage of our cost does the federal grant cover?

MR. COX:

We have about 1,000 inmates. The cost is approximately \$22,000 per year per inmate.

MR. MOHLENKAMP:

It appears that the federal grant has historically covered approximately 10 percent to 15 percent of the costs of incarceration, depending on the custody level of the inmate, the medical needs and things of that nature.

SENATOR DENIS:

What percentage of the total prison population is this 1,000?

MR. MOHLENKAMP:

We currently have approximately 12,000 inmates, so it is a little less than 10 percent of our population.

VICE CHAIR LESLIE:

Please work with Staff to refine that number. We will close the hearing on S.B. 474.

We will now open the hearing on S.B. 482.

SENATE BILL 482: Makes a supplemental appropriation to the Department of Corrections for an unanticipated shortfall in revenue at the Casa Grande Transitional Housing Center for Fiscal Year 2010-2011. (BDR S-1232)

MR. MOHLENKAMP:

Casa Grande was built on the concept that revenues from working inmates could be used to pay for a significant portion of its costs. For several years now, that revenue number has been declining and this is a further decline. As almost every other group is having difficulty getting work, the inmates are no exception. Those numbers are beginning to stabilize and we are hopeful that we will see some increases. Although the appropriation we are currently requesting is approximately \$897,000, we are projecting that number will decrease to below \$600,000. We are continuing to work with your Staff and should have revised and firm numbers soon.

The key principle is that Casa Grande is having difficulty getting inmates employed and keeping them employed. One of the things we have done is a slow conversion of parts of Casa Grande to be used for intermediate sanction and other types of services because it is a large facility that can provide some good services. We have a program, called Opportunity of Probation with Enforcement in Nevada, commonly referred to as OPEN, which is an intermediate sanction program for probation violators. We are working with the Department of Employment, Training and Rehabilitation on the program Purpose, Respect, Integrity, Determination, and Excellence, commonly referred to as P.R.I.D.E., which is primarily for parole violators, to get people into parole who do not otherwise have a place to live. Sometimes they stay in prison because they do not have another option. Casa Grande has become that option in some cases. We are also using it for youthful offenders and drug court. We are finding other uses for Casa Grande while we are having difficulty getting inmates to work.

VICE CHAIR LESLIE:

I think those are great alternatives. If you can keep people from being revoked, that will save us lots of money.

SENATOR DENIS:

Please explain the declines.

MR. MOHLENKAMP:

We have seen steady declines and now we are not seeing any declines. The numbers appear to be stabilizing. In 2007, approximately 200 inmates were working. We now have just under 100 inmates working. We are beginning to see that number stabilize. My hope is we have reached the bottom and we will start to get more inmates employed. We have some outside groups who are helping us to improve our efforts by putting inmates to work. We expect to have 120 to 130 inmates employed in the next few months.

VICE CHAIR LESLIE:

We will close the hearing on S.B. 482.

We will open the hearing on S.B. 478, which makes a supplemental appropriation of \$630,036 to the Department of Motor Vehicles (DMV).

SENATE BILL 478: Makes a supplemental appropriation to the Department of Motor Vehicles for an unanticipated shortfall in kiosk vendor payments.
(BDR S-1235)

DEB COOK (Administrator, Administrative Services Division, Department of Motor Vehicles):

This is a supplemental request for the DMV for an unanticipated shortfall in kiosk funding. Our original request of \$630,036 can now be reduced to \$583,614.

VICE CHAIR LESLIE:

Is that a firm number that will not change?

MS. COOK:

Those are projections at the current time. We can work with Staff to firm it up.

VICE CHAIR LESLIE:

Why did we have this unanticipated shortfall?

MS. COOK:

It is mainly due to an increase in usage from the customers. According to the appropriations act, we have the ability to move funds from fiscal year to fiscal year in the biennium, so we took some funding from this year and moved it into the last fiscal year. This is compounded in a way.

SENATOR KIECKHEFER:

Are these kiosks in the DMV or are they satellite kiosks?

Ms. COOK:

It is all of the kiosks.

SENATOR KIECKHEFER:

Has the increase in the number of people using the kiosks resulted in an increase in the amount we have to pay the kiosk vendor?

Ms. COOK:

Yes. It is not an increase in transaction fees, but we have more transactions, so we have to pay the vendor more.

SENATOR KIECKHEFER:

How much is that transaction cost?

Ms. COOK:

It varies. The highest transaction at this time is for vehicle registrations and that is \$4.99. The machine has to print a decal and has some sort of thermal printer, which makes those costs higher. Record histories are only \$1.

SENATOR KIECKHEFER:

Will the cost to the resident be the same, while the cost to the State is \$5 more if the consumer uses the kiosk?

Ms. COOK:

Correct. We have a bill that will make this program self funding and pass this fee on to the customer.

TROY DILLARD (Deputy Director, Department of Motor Vehicles):

Currently, the fees that are being paid to the vendor for each transaction come from DMV's budget through the Highway Fund. We do have a bill that is coming before you that will change that concept and make it fee funded. A request for proposal is out today. We are being told we will not see any higher fees and it is anticipated that those fees will go down. Currently, the highest transaction fee is \$4.99 for the most common transaction completed at the kiosks. The remainder of the fees are \$1. Moving this outside the Highway Fund

and passing it through as a convenience fee will allow us to offer more services at those kiosks as well.

VICE CHAIR LESLIE:

I just registered my car online at home in 30 seconds. It is so easy. Since I used a credit card to pay for it, is the State charged a fee for that transaction?

MR. DILLARD:

Yes. There is a fee for any transaction conducted by State agencies that the credit company in each of those subsidiaries receives.

VICE CHAIR LESLIE:

Is it close to \$4.99?

MR. DILLARD:

It is based upon the amount of the transaction. In some cases it could be more, depending on the amount of the transaction.

SENATOR CEGAVSKE:

I do not remember our approving this. I thought the fees would be absorbed through the Highway Funds or picked up by the consumer. Are you transferring money from the Highway Fund to pay the fees?

MR. DILLARD:

Since the kiosks were put in place, the funding for the transactions has always been paid for through the DMV's budget which is a Highway Fund account. The bill that will be coming to you will change that from the Highway Fund paying for those transactions to a pass-through fee to the person using the kiosk. For example, if you renew your driver's license at the kiosk and the fee continues to be \$1, you will pay an additional \$1 for your transaction. Instead of paying \$22, you would pay \$23.

SENATOR CEGAVSKE:

I am confused because I thought it was going to be a pay for service. I do not remember it coming out of a fund. Is that what we approved, that we would pay for the consumer's usage of the kiosks?

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MR. DILLARD:

Yes, that is correct. The initial thought behind it was that it was cheaper to pay the vendor a transaction fee than bodies and chairs to support those processes.

SENATOR CEGAVSKE:

Okay, I recall that now. Thank you.

VICE CHAIR LESLIE:

It sounds like this Committee is anxious to let the user pay for it now, because we have many other uses for the Highway Fund.

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

The bill referenced by Mr. Dillard is required to implement the budget. The budget has been built with the fee being passed through to the citizen using the kiosk.

VICE CHAIR LESLIE:

Hopefully they will not get upset and go back to the DMV. Consumers should just renew their registration at home.

SENATOR KIECKHEFER:

Have you estimated how much you have saved by having these kiosks in place?

MR. DILLARD:

No, we have not conducted a formal analysis of that figure.

SENATOR PARKS:

We need to include the handling fee if consumers renew on the Internet, because DMV must package and mail the decal.

VICE CHAIR LESLIE:

Please work with Staff to get that number as close as you can. We will close the hearing on S.B. 478.

We will open the hearing on S.B. 479 which makes a supplemental appropriation of approximately \$1 million to the DMV.

SENATE BILL 479: Makes a supplemental appropriation to the Department of Motor Vehicles for an unanticipated shortfall in the merchant services fees associated with electronic payments. (BDR S-1236)

Ms. COOK:

This is a supplemental request for merchant services fees. Our original request of \$948,453, has been reduced to \$890,808. We would be happy to work with Staff to firm up those projections.

VICE CHAIR LESLIE:

Are more people using credit cards to pay their fees?

Ms. COOK:

Yes. S.B. No. 429 from the 75th Session increased our fees so that contributed as well.

VICE CHAIR LESLIE:

We will close the hearing on S.B. 479.

We will open the hearing on S.B. 484 which makes a supplemental appropriation of approximately \$61,000 to the Department of Public Safety.

SENATE BILL 484: Makes a supplemental appropriation to the Department of Public Safety for an unanticipated shortfall in personnel services. (BDR S-1233)

MARK TESKA (Administrator, Administrative Services, Department of Public Safety):

This bill requests supplemental appropriations of approximately \$61,000 to cover a projected shortfall in personnel services. The need for the supplemental appropriation is a result of the Highway Fund, General Fund split that was used when a position was eliminated during the Twenty-sixth Special Session. That caused a shortfall in the General Fund and a small excess in the Highway Fund. This would correct that.

VICE CHAIR LESLIE:

Please work with our Staff to make sure the final number is correct.

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MR. TESKA:
We would be happy to work with Staff.

VICE CHAIR LESLIE:
We will close the hearing on S.B. 484. I will relinquish the gavel to Senator Horsford.

CHAIR HORSFORD:
I am working with Staff on adjustments to this week's schedule based on the change in events due to the unfortunate death of President Glick. I am working with the Chancellor's office to finalize a new date. Please look for notices of changes in schedules. We want to make sure we can accommodate those agencies whose budgets we will be scheduling as well.

Seeing no further business, we are adjourned at 8:57 a.m.

RESPECTFULLY SUBMITTED:

Madison Piazza,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE: _____

<u>EXHIBITS</u>			
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster