

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

**Seventy-Seventh Session
May 3, 2013**

A joint meeting of the Assembly Committee on Ways and Means' Subcommittee on General Government and the Senate Committee on Finance's Subcommittee on General Government was called to order by Chair Lucy Flores at 8:15 a.m. on Friday, May 3, 2013, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at nelis.leg.state.nv.us/77th2013. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Lucy Flores, Chair
Assemblyman Paul Aizley, Vice Chair
Assemblyman Paul Anderson
Assemblyman Andy Eisen
Assemblyman Cresent Hardy
Assemblyman Joseph M. Hogan

SENATE COMMITTEE MEMBERS PRESENT:

Senator Joyce Woodhouse, Chair
Senator Moises (Mo) Denis
Senator Michael Roberson



STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Michael J. Chapman, Principal Deputy Fiscal Analyst
Adam Drost, Program Analyst
Heidi Sakelarios, Program Analyst
Linda Blevins, Committee Secretary
Cynthia Wyett, Committee Assistant

Chair Flores advised the Subcommittees that the first item on the agenda would be the Department of Administration Special Appropriations account.

**FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
SPECIAL APPROPRIATIONS (101-1301)
BUDGET PAGE ADMIN-18**

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the Subcommittees' attention to [Exhibit C](#), closing documents. The Special Appropriations account was used by the Department of Administration, Administrative Services Division, to pass through General Fund appropriations to other governmental entities and not-for-profit organizations. The major closing concerns for this account were the General Fund appropriations for Nevada Volunteers and for Holocaust education in decision unit Enhancement (E) 275.

Mr. Drost noted the Governor recommended General Fund appropriations of \$75,000 in each year of the 2013-2015 biennium to provide funding for Nevada Volunteers, the Governor's commission that worked with the federal AmeriCorps program. This covered a portion of the required state match. In prior years, the state had received a hardship waiver from the federal government; however, the waiver would no longer be granted and the state match would be \$200,000. The Governor's recommended General Fund appropriations totaled \$150,000 in each year of the 2013-2015 biennium. The Department of Administration stated private funds would be raised for the remaining \$50,000 required for the state match.

Mr. Drost explained that the Holocaust education funding would be used to provide programs for the education of children and adults on issues related to the Holocaust. The Governor recommended General Fund appropriations of \$20,000 in each year of the 2013-2015 biennium in addition to General Fund appropriations of \$30,000 included in the base budget for Holocaust education. The funding would support the Las Vegas Sperling, Kronberg, Mack Holocaust Resource Center director position, provide grant-writing and program management services, and provide educational workshops for teachers and students about the Holocaust. According to the Department, 143 teachers and 540 students from throughout the state attended these workshops in fiscal year 2012.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR ADDITIONAL GENERAL FUND APPROPRIATIONS FOR NEVADA VOLUNTEERS AND HOLOCAUST EDUCATION IN DECISION UNIT ENHANCEMENT 275.

ASSEMBLYMAN AIZLEY SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
INSURANCE & LOSS PREVENTION (715-1352)
BUDGET PAGE ADMIN-219

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, moved to page 4 of [Exhibit C](#). There were no major closing concerns in budget account 1352. He directed the Subcommittees' attention to the other closing items on pages 4 and 5 of the exhibit.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR INCLUDING THE ELIMINATION OF ANTIVIRUS SOFTWARE AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
MOTOR POOL CAPITAL PURCHASE (711-1356)
BUDGET PAGE ADMIN-241

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, moved to page 8 of [Exhibit C](#), the Motor Pool Capital Purchase account. The first major closing concern was the purchase of the Las Vegas Motor Pool facility in decision unit Enhancement (E) 225.

Mr. Drost explained the Governor recommended General Fund financing of \$2,598,332 in fiscal year (FY) 2014 to purchase the State Motor Pool facility in Las Vegas. The facility was built in 2007 with the agency providing input on the design and location. The agency was leasing the facility, and projected lease expenditures were \$340,375 in FY 2014 and \$353,975 in FY 2015, which represented a 4 percent annual increase. The agency agreement provided the state with the option to purchase this facility in FY 2014 with another option to purchase the facility in FY 2017. With a 4 percent increase in annual lease expenditures, the expenditures for the lease of the facility would total approximately \$1.4 million for FY 2014 through FY 2017.

Rather than continuing with the lease, the Governor recommended purchasing the facility in October 2013. According to Mr. Drost, repayments to the General Fund would occur over 20 years with annual payments of \$125,000. According to the Department of Administration, the State Motor Pool would realize about \$2.5 million in lease payment savings in less than eight years. The Department also estimated the state would save about \$6.4 million in lease payments over the 20-year General Fund repayment period.

Mr. Drost stated the question before the Subcommittees was whether they wished to approve the Governor's recommendation to purchase the State Motor Pool facility in Las Vegas using General Fund financing of \$2,598,332.

Chair Flores commented that she believed this was an interesting form of financing; however, the savings would be significant.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO PURCHASE THE STATE MOTOR POOL FACILITY IN LAS VEGAS USING GENERAL FUND FINANCING AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

Assemblyman Aizley asked Mr. Drost how often the state made interest-free loans to the agencies. Mr. Drost responded that the Department of Administration stated it had been done. The most recent incidence was with the payroll accounting system.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the second major closing concern was in decision unit Enhancement (E) 721, the purchase of additional vehicles for the Motor Pool Division fleet. The Governor recommended General Fund appropriations of \$1,986,072 in fiscal year (FY) 2014 and \$367,569 in FY 2015 and Highway Fund authorizations of \$566,752 in FY 2014 and \$439,962 in FY 2015 for

one-time funding to purchase new vehicles for the Motor Pool Division fleet. This purchase would fill the vehicle needs for state agencies managing their own fleets. The purchase was based on a 2010 audit recommendation prepared by the Department of Administration, Division of Internal Audits. The agency accepted the audit recommendation but stated it would replace agency-assigned vehicles through attrition.

Mr. Drost noted that although the rates charged by the Motor Pool Division generally covered the depreciation costs of replacing vehicles, the revenue was not recognized until an agency began using motor pool services. Therefore, the Motor Pool Division capital purchase account did not have adequate reserves to purchase the new vehicles. Consequently, the Governor was recommending one-time General Fund appropriations and Highway Fund authorizations that would not be repaid.

Mr. Drost explained that after reviewing the number of vehicles requested by agencies, the Budget Division submitted two amendments to adjust the number of new vehicles recommended to be purchased and maintained by the Motor Pool Division to 109 vehicles over the 2013-2015 biennium. These budget amendments provided General Fund appropriations of \$1,425,267 in FY 2014 and \$405,057 in FY 2015 and Highway Fund authorizations of \$626,631 in FY 2014 and \$501,210 in FY 2015.

Chair Flores understood there were no reserves to pay for the vehicles, but she was curious to know whether the expenditures would be recouped once the vehicles were rented to the agencies.

Mr. Drost responded that this was an up-front expenditure. When agencies began to use the vehicles, a depreciation cost would be charged to the agency for future vehicle replacement. The cost for these vehicles would not be recovered.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION AND BUDGET AMENDMENTS TO PURCHASE 109 VEHICLES FOR THE MOTOR POOL DIVISION AS STATED IN DECISION UNIT E-721 AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE RELATED TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, pointed out the third major concern for this budget account was decision unit Enhancement (E) 722. The Budget Division submitted two budget amendments to create decision unit E-722 to purchase 23 new vehicles for the Taxicab Authority using Highway Fund authorizations. Since the Taxicab Authority was fee-based, it was not appropriate to use Highway Fund authorizations for this purchase. Accordingly, the budget amendments did not have an appropriate funding source. The Taxicab Authority budget was closed on May 1, 2013, by the Subcommittees on General Government authorizing the purchase of 23 vehicles in decision unit E-226 using Taxicab Authority reserve reduction.

Mr. Drost suggested the Subcommittees consider not approving budget amendments A13A0070 and A13A0056 to purchase 23 vehicles for the Motor Pool fleet to meet the vehicle needs of the Taxicab Authority.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO NOT APPROVE DECISION UNIT E-722 [BUDGET AMENDMENTS A13A0070 AND A13A0056].

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, requested the Subcommittees consider the other closing items for budget account 1356.

The first item Mr. Drost addressed was decision unit Enhancement (E) 230. The Governor recommended authorizing the Motor Pool Division capital purchase account to receive interest earnings contingent on the passage of Senate Bill 473.

The second closing item was decision unit E-711 for replacement of existing Motor Pool vehicles in the 2013-2015 biennium.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HARDY MOVED TO APPROVE OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
MOTOR POOL (711-1354)
BUDGET PAGE ADMIN-232

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, requested the Subcommittees turn to page 12 of [Exhibit C](#), budget account (BA) 1354.

The first major closing item discussed by Mr. Drost was an equipment mechanic 4 position in decision unit Enhancement (E) 250. The Governor recommended additional vehicle rent revenue and reductions in expenditures allocated for outside vehicle maintenance and temporary employees to fund this position. The position would be assigned to the Motor Pool facility in Carson City and would perform supervisory duties, manage the Carson City fleet, ensure staff had proper safety training, manage the shop inventory, and ensure the Carson City location was compliant with all hazardous material waste requirements.

During the 2011 Legislative Session, a fleet service worker 3 position was eliminated at the Reno facility. The Carson City Motor Pool facility's program officer 1 position was transferred to the Reno Motor Pool facility at that time. The equipment mechanic 4 requested in decision unit E-250 would be located at the Carson City Motor Pool facility. The agency stated that the Division Administrator at the Carson City Motor Pool facility had been handling the responsibilities for both positions.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO APPROVE DECISION UNIT E-250 FOR A NEW EQUIPMENT MECHANIC 4 POSITION AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN HARDY SECONDED THE VOTE.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the second major closing item was a capital improvement project in decision unit Enhancement (E) 730. The Budget Division submitted budget amendment A13A0033 to create decision unit E-730. The decision unit reflected reserve reductions of \$46,890 in fiscal year (FY) 2014 for a Capital Improvement Program (CIP) project to renovate the heating, ventilating and air conditioning (HVAC) system at the Carson City Motor Pool facility. The project was included in the CIP, but corresponding budgetary authority was not established in the Motor Pool account. The HVAC was over 25 years old and due for replacement.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HOGAN MOVED TO APPROVE TO PROVIDE FUNDING TO RENOVATE THE HVAC SYSTEM AT THE CARSON CITY MOTOR POOL FACILITY IN DECISION UNIT E-730 AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR ROBERSON SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed other closing items on pages 13 and 14 of [Exhibit C](#) as follows:

1. The purchase of the Las Vegas Motor Pool facility in decision unit Enhancement (E) 225.
2. The interest earnings in decision unit E-230, which were contingent upon the passage of Senate Bill 473.
3. The replacement of computer equipment in decision unit E-710.
4. The depreciation costs associated with the purchase of 102 replacement vehicles in decision unit E-711.

5. The operating costs and depreciation associated with the purchase of additional Motor Pool vehicles for various agencies in decision unit E-721.
6. The operating costs and depreciation associated with the addition of Motor Pool vehicles for the Taxicab Authority in decision unit E-722. The purchase was not approved by the Subcommittees.
7. Other cost allocations in decision units E-801, E-802, E-804, and decision unit Maintenance (M) 801.
8. The change of Motor Pool Division rates as shown in the table on page 15 of [Exhibit C](#).

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HOGAN MOVED TO APPROVE OTHER CLOSING ITEMS 1 THROUGH 5, 7 AND 8 AS RECOMMENDED BY THE GOVERNOR AND AMENDED BY BUDGET AMENDMENT A13A0101 AND TO NOT APPROVE ITEM 6 AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR DENIS SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

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**COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
INSURANCE REGULATION (504-3813)
BUDGET PAGE B & I-28**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the Subcommittees' attention to page 16 of [Exhibit C](#), budget account (BA) 3813.

The first major closing item reviewed by Ms. Sakelarios was regarding the insurance fraud assessment in decision unit Enhancement (E) 226.

The Governor-recommended legislation should be introduced to revise the statutory requirements pertaining to the insurance fraud assessment which resulted in additional fee revenue totaling \$184,500 in each year of the 2013-2015 biennium. According to *Nevada Revised Statutes* 679B.700, 85 percent of the assessment collected would be transferred to the Office of the Attorney General (AG) and 15 percent would be retained by the Division of Insurance.

According to The Executive Budget, the Nevada First Judicial District Court ruled in October 2012 that insurance companies licensed in Nevada but not issuing policies in the state during a calendar year did not have to pay the annual fraud assessment. Assembly Bill 435 was introduced and added clarifying language requiring that all insurance companies doing business in the State of Nevada, regardless of the premium written in a year, would pay the assessment. The bill was referred to the Assembly Committee on Ways and Means on April 22, 2013.

According to Ms. Sakelarios, the additional revenue for the Division of Insurance would be placed in a reserve category. Fiscal Analysis Division staff made a technical adjustment to place the reserve in a dedicated category that existed in BA 3813 specifically for fraud-related activities. Additionally, staff noted that it did not appear the Division of Insurance would be negatively affected by the reduction in fraud assessment revenue resulting from the court ruling.

Chair Flores clarified for the Subcommittees that the Division of Insurance budget would be successfully funded without the fraud assessment fee.

In response to Chair Flores, Ms. Sakelarios said the Division of Insurance budget was based on the revenue that had been collected and was not dependent on the additional revenue that would result from this legislation. However, Ms. Sakelarios was uncertain whether that was true for the AG's fraud prevention program.

Chair Flores asked where the fraud assessment would go if this legislation was not approved.

Ms. Sakelarios stated that A.B. 435 would add clarifying language that would revise the ruling made by the First Judicial District Court, and all insurers licensed to do business in the state would pay the fraud assessment fee. The passage of A.B. 435 would result in an increase in revenue in BA 3813.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO INCREASE THE FRAUD ASSESSMENT FEE REVENUE IN DECISION UNIT E-226 CONTINGENT ON THE PASSAGE OF ASSEMBLY BILL 435 AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN AIZLEY SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed attention to decision unit Enhancement (E) 744, the certification of network adequacy. The Governor recommended miscellaneous license and fee revenue totaling \$500,000 in each year of the 2013-2015 biennium for costs associated with the certification of the network adequacy of health maintenance organizations (HMOs) in accordance with the provisions of the Affordable Care Act.

The U.S. Department of Health and Human Services had divested responsibility for certifying the adequacy of network providers for all qualified HMOs to state health insurance exchanges. In Nevada, existing statute assigned this responsibility to the State Board of Health. According to The Executive Budget, the Silver State Health Insurance Exchange and the Health Division (on behalf of the State Board of Health) had agreed to transfer their authority for network adequacy to the Division of Insurance. The agreement was formalized in a memorandum of understanding between the three agencies.

The Division of Insurance stated it intended to use a third-party contractor to determine network adequacy. The insurers seeking the determination would pay the Division of Insurance for the service.

Ms. Sakelarios said Assembly Bill 425 was introduced on March 25, 2013, and, if passed, would transfer the responsibility for certification of network adequacy from the State Board of Health to the Division of Insurance in statute. The bill was referred to the Assembly Committee on Ways and Means on April 23, 2013.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN EISEN MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR MISCELLANEOUS LICENSE AND FEE REVENUE TOTALING \$500,000 IN EACH YEAR OF THE 2013-2015 BIENNIUM FOR COSTS ASSOCIATED WITH THE CERTIFICATION OF THE NETWORK ADEQUACY OF HEALTH MAINTENANCE ORGANIZATIONS IN ACCORDANCE WITH THE PROVISIONS OF THE AFFORDABLE CARE ACT [DECISION UNIT E-744] AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR ROBERSON SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the next major closing item was in the reserve account. The Executive Budget recommended a reserve of \$2,276,719 at the end of the 2013-2015 biennium. According to the Division of Insurance, a 60-day reserve should be maintained in each of the fee-funded accounts for cash flow purposes. The reserve recommended in The Executive Budget at the end of fiscal year (FY) 2015 would support the account's proposed expenditures for approximately four months.

Ms. Sakelarios reported that, based on the revenue, expenditure, and reserve projections included in The Executive Budget, Fiscal Analysis Division staff recommended a technical adjustment to the proposed cost-allocation transfer in the Division of Insurance. This would result in an increase in the revenue transferred from the other accounts in the Division totaling \$28,961 in FY 2014 and a decrease in the transfer revenue to \$945,000 in FY 2015.

On page 19 of [Exhibit C](#), Ms. Sakelarios noted that the effect on each of the individual budget accounts in the Division of Insurance was described. The revision to the cost allocation was made as a technical adjustment and was reflected in the closing documents ([Exhibit C](#)). Ms. Sakelarios explained the individual accounts as follows:

- The Insurance Examiners (BA 3817) cost-allocation transfer was recommended to equal the amount of the administration fee collected less operating expenditures.
- The Captive Insurers (BA 3818) transfer would equal the amount of the administration fee and result in an increase in FY 2014 totaling \$72,933 and a decrease in FY 2015 totaling \$146,012.
- The Insurance Education and Research (BA 3824) transfer was recommended to be eliminated based on the surplus reserve in BA 3813 and the proposed revenue reduction in BA 3824.
- The Insurance Cost Stabilization (BA 3833) transfer was recommended to be eliminated resulting in a reduction totaling \$27,742 in FY 2014 and \$28,675 in FY 2015.

Ms. Sakelarios pointed out that the combination of these and other budgetary revisions reduced the projected reserve in BA 3813 at the end of FY 2015 to approximately \$1.8 million, which exceeded the Division's 60-day operating reserve target of about \$1.2 million.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE THE TECHNICAL ADJUSTMENTS RECOMMENDED BY FISCAL ANALYSIS DIVISION STAFF TO REVISE THE COST-ALLOCATION TRANSFERS WITHIN THE DIVISION OF INSURANCE.

SENATOR ROBERSON SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed the other closing items for consideration.

- Decision unit Enhancement (E) 802 was added by a budget amendment to include minor cost-allocation plan adjustments departmentwide for the Department of Business and Industry.

- Decision unit E-227 was a new decision unit added by a budget amendment to revise federal grant authority in budget account 3813 based on an updated notice of grant award received by the agency after The Executive Budget was submitted.
- During the budget hearing on March 27, 2013, the Silver State Health Insurance Exchange (SSHIX) and the Division of Insurance provided information on the process to be used to certify enrollment facilitators before they began assisting clients seeking health insurance through the SSHIX. The certification would result in additional revenue for the Division of Insurance. Each person certified for this purpose would pay a fee of \$195 resulting in an increase in revenue of \$39,585 in fiscal year 2014. Fiscal Analysis Division staff included a technical adjustment in the closing document ([Exhibit C](#)) to reflect this additional revenue in fiscal year 2014.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE THE OTHER CLOSING ITEMS AS RECOMMENDED AND AMENDED BY THE GOVERNOR, INCLUDING BUDGET AMENDMENTS A130013813 AND A130023813, AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY BASED ON THE ACTIONS TAKEN ON OTHER DIVISION OF INSURANCE ACCOUNTS.

SENATOR ROBERSON SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

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COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
INSURANCE EXAMINERS (504-3817)
BUDGET PAGE B & I-35

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, turned to page 21 of [Exhibit C](#), Insurance Examiners budget account (BA 3817). The first major closing item pertained to two additional positions to continue the desk audit program under decision units Enhancement (E) 225 and E-226. The Governor recommended audit fee revenue totaling \$192,943 in fiscal year (FY) 2014 and \$200,354 in FY 2015 to reauthorize the insurance premium tax desk audit program and to retain the two insurance examiner 1 positions assigned to the program. The program was scheduled to sunset on June 30, 2013. During the 2011 Legislative Session, the Division of Insurance testified that this program was intended to be a two-year program, and the program and the two positions would be recommended for elimination prior to the start of FY 2014.

Assembly Bill No. 6 of the 26th Special Session (2010) was approved by the Legislature and included a requirement that the Division of Insurance implement a desk audit program no later than July 2, 2010, to audit insurance premium tax returns to certify that insurers were paying the insurance premium tax as required by chapter 680B.027 of the *Nevada Revised Statutes*. Ms. Sakelarios explained that a software program was used to compare insurance premium tax returns with the taxes paid to the Department of Taxation. When a discrepancy was discovered, the insurance examiners performed an audit to review the inconsistency.

The Division stated that desk audits would be conducted on approximately 85 percent of the market share, and the records would be reviewed retrospectively for the seven years prior to 2010. Ms. Sakelarios recalled the Division testified that a review of insurance premium tax records had been incorporated into the standard examination procedures for contract examiners, which would eliminate the on-going need for the retrospective audits and the desk audit program.

According to Ms. Sakelarios, during the 26th Special Session, the agency testified it would be possible to recover as much as \$5 million in unpaid or underpaid insurance premium taxes during the two-year desk audit program. As of March 2011, the desk audit program, had identified about \$2.2 million of

collectable, underreported insurance premium tax. According to the Division, since the inception of the program the total written premium reviewed was about \$8.6 billion. The actuarial variance findings were about \$72.2 million, and the anticipated tax premium recovery would be about \$5.3 million. Additionally, 58 companies had independently self-remitted payment to the state for underpaid tax liabilities totaling approximately about \$1.5 million.

Ms. Sakelarios explained that the Division of Insurance reviewed tax filings and when a discrepancy was discovered, it was reported to the Department of Taxation. The Department of Taxation was then responsible for further review and follow-up with the insurers to collect unpaid or underpaid taxes. Fiscal Analysis Division staff contacted the Department of Taxation to determine the amount of revenue deposited in the General Fund based on the findings of the insurance premium tax desk audit program. The Department was unable to provide the information requested prior to completion of the closing document ([Exhibit C](#)); therefore, it was not possible to determine the effectiveness of the desk audit program.

Ms. Sakelarios pointed out that there had been discrepancies in the performance measures identified for this program. The table on page 23 of [Exhibit C](#) listed several documents that identified the performance measures and the varying indicators reported.

Ms. Sakelarios further noted that on April 25, 2013, the Division confirmed that 743 audits were initiated in fiscal year (FY) 2011. Since that time, 150 audits had been completed. The Division confirmed that it anticipated completing 102 desk audits during each year of the 2013-2015 biennium. Based on this information, 51 audits would be completed by each examiner or approximately 1 audit per week, generating 9.8 billable hours per examiner per week.

During the 2011 Legislative Session, the agency indicated that the desk audits were processed faster than originally anticipated, which resulted in a cost savings. Following the 2011 Legislative Session, a Letter of Intent was issued to the Division of Insurance requesting the Division report to the Interim Finance Committee (IFC) on the amount of excess revenue collected for the administration by the desk audit program, the method used to refund any overpayment of fees charged to insurers, and when the repayments would be processed.

Ms. Sakelarios said the Division responded to the IFC on December 1, 2011, saying that it could not determine if the revenues collected would exceed the cost of implementing the desk audit program. Fiscal Analysis Division staff had completed a review of the actual revenue and expenditures since implementation of the desk audit program in FY 2011; however, expenditures were incurred beginning in FY 2010. During the implementation of the desk audit program, the program had operated at a financial deficit. As of April 23, 2013, total expenditures had exceeded total audit fee revenue by approximately \$121,500.

The reserve in the Insurance Examiner account had been used to offset the desk audit program revenue shortfalls. Based on the revised revenue and reserve projections for this account for the 2013-2015 biennium, it did not appear the reserves could continue to support revenue shortfalls for the desk audit program.

Ms. Sakelarios reported that the Division explained the reduction in revenue was the result of staff turnover, the length of time required to train new staff to perform desk audits, and the Division's policy not to bill insurers until the desk audit was completed. The Division stated that the desk audit program was currently fully staffed, and if the program was approved, the workload goals and revenue projections should be realized for the upcoming biennium.

The Executive Budget included information indicating the audit fees charged to insurers for the desk audit program would be increased. Ms. Sakelarios remarked the closure fee for desk audits was recommended to increase from \$355 to \$496. The hourly rate for the audit was recommended to increase to \$142 from the current rate of \$101 per hour. The recommended fees represented an increase of 40 percent since the rates were established.

Ms. Sakelarios explained that each desk audit was initially projected to take approximately 3.3 hours to complete. The Executive Budget indicated the time had increased to 9.8 hours. Subsequently, Fiscal Analysis Division staff had been informed that the average was about 12 to 14 hours. Based on the recommended increases in closing fees, hourly rates, and average completion time, the average audit fee would total \$1,877 per audit. The agency stated that the increased time to perform an audit was because of the complexity of the audits and because every insurance company processed insurance premium tax documents differently.

Ms. Sakelarios stated that if the Subcommittees approved the continuation of the desk audit program, Fiscal Analysis Division staff recommended a technical adjustment to increase the projected revenue for the desk audit program based on the new estimate of the number of hours required to complete each desk audit. The additional 2.2 billable hours per desk audit was estimated to increase the projected revenue by approximately \$32,000 per fiscal year.

Ms. Sakelarios suggested the Subcommittees consider the following options:

1. Approve the Governor's recommendation to extend the insurance premium tax desk audit program and two insurance examiner positions during the 2013-2015 biennium.
2. Approve the extension of the insurance premium tax desk audit program with only one position, which could reduce the number of audits completed in each fiscal year of the biennium.
3. Not approve the Governor's recommendation to continue the insurance premium tax desk audit program.

Assemblyman Eisen asked whether increasing the number of hours needed for each desk audit decreased the total number of audits done each year and whether that was taken into account when determining the fee revenue. It appeared to him that if the fee was charged on an hourly basis and 25 percent of staff time was dedicated to those billable hours, then it would still be 25 percent of the staff time even if it was 12 hours per audit instead of 9.8 hours. The total billable hours per year would not change. He was unsure why, if time was added per audit, the number of audits done in a year was not decreased.

Ms. Sakelarios responded that the agency stated there were 9.8 billable hours for each desk audit, which meant there were a number of hours worked each week that were not billable. Information supplied by the agency showed that, based on the workload accomplished since development of The Executive Budget, the employees were completing desk audits in an average of 10 to 14 hours. The agency assured Fiscal Analysis Division staff that at least 102 desk audits would be completed in each fiscal year of the upcoming biennium; therefore, the addition of billable hours was not projected to negatively affect the number of audits completed.

To confirm his understanding, Assemblyman Eisen stated that the additional 2.2 hours needed per audit were being taken out of what was currently nonbillable time and not additional time added to the 30.2 hours of nonbillable time. Ms. Sakelarios responded that was correct.

Chair Flores requested further clarification regarding the time required to complete each desk audit. If one audit required 9.8 billable hours and the Division of Insurance indicated that the remainder of the week (30.2 hours) was allocated to nonbillable activities such as training meetings, sick leave, holidays and vacation time, she wondered how much of the 30.2 hours was necessary to complete the desk audit.

Ms. Sakelarios suggested Chair Flores ask the agency to supply that information.

Scott Kipper, Commissioner of Insurance, Division of Insurance, Department of Business and Industry, introduced Adam Plain, Insurance Regulation Liaison, Division of Insurance, Department of Business and Industry. Mr. Kipper believed Mr. Plain could provide the requested information.

Mr. Plain explained there were two components to the question posed by Chair Flores. When the Division audited an insurer, the Division was actually auditing a group of insurers simultaneously. A group of insurers could have many companies within a holding group structure. Many times multiple companies were handled by one accountant or contact person within the holding group structure. If it was necessary for the auditor to speak with someone in the holding group on an issue relevant to all of the companies in the holding group, the contact hours were not logged as billable hours. This was because there was no method for allocating the cost between the various companies in the holding group. For example, if the auditor was on the telephone for one hour, each company was not billed a portion of the hour or for the full hour. This was taken into account when considering the hourly fee. Additionally, the Division was billing insurers at the time of completion of the audit. If an audit was worked on for 20 hours but was not completed, it was not billed. The 20 billable hours would not be part of the 500-hour allotment. There was a delay as a result of billing practices.

Chair Flores asked how much of the 30.2 nonbillable hours each week were part of the delayed billing program.

Mr. Plain estimated that 15 to 20 hours per week were allocated as billable hours but not yet billed.

Assemblyman Eisen requested clarification regarding the 15 to 20 billable hours. He asked whether that figure was per desk audit.

Mr. Plain responded that the 15 to 20 billable hours were part of the 30.2 hours per week that were nonbillable. This was in addition to the 500 hours per year. For example, a deputy commissioner showed approximately \$92,000 of billable time that would soon be billed. This was not showing in the closing documents because the hours had not been billed. This was to go toward the 500 hours per year because it was based on prior completions.

Assemblyman Eisen asked how long it took from the initiation of an audit to the completion of an audit, whether it was a number of weeks or months. He believed this would be a determinate in the delay of billing and whether the billing problem should be addressed.

Mr. Plain responded that it was dependent on the responsiveness of the entity being audited.

It appeared to Assemblyman Eisen that if a company was not responsive, they had the ability to delay the billing for the audit.

Mr. Plain explained that when a company was unresponsive it usually was because of the digital accounting data the company provided to the Division of Insurance. Most of the unresponsiveness dealt with mergers and acquisitions. When an insurer merged with or acquired another insurer, it appeared that common industry practice was to retain the information technology (IT) personnel from the acquired company only long enough to get an accounting system data dump into the new insurer's system.

Mr. Plain had found that since the audits covered 2003 to 2010, it was difficult for a new IT person to retrieve data from an old IT system which caused a delay in the audit. The Division was not working on the audit, time was not being accrued, and there were no billable hours. The Division had regulatory authority to compel an insurer to comply with the order from the Commissioner of Insurance. That authority had been used to speed up the process, but there were often legitimate IT concerns.

Assemblyman Eisen responded that if the delay was creating a problem with cash flow, perhaps the regulation or policy of not billing until the audit was completed should be reconsidered.

Mr. Kipper believed that Assemblyman Eisen had raised a good point. In working with Fiscal Analysis Division staff, the cash flow lag had been identified, and the Division of Insurance was taking steps to bill the incomplete audits before the end of the fiscal year to make the cash flow appear correctly and to make sure it reflected the current fiscal year activity.

Chair Flores advised that the 9.8 billable hours seemed too low for one week. This was intended to be a two-year program, and the Division was now requesting an extension. At the time the closing documents were prepared by the Fiscal Analysis Division staff, the Division of Insurance was not able to provide information regarding how much money the audits created for the General Fund. At this point, the Subcommittees could not determine the effectiveness of the program. It seemed strange that the Division of Insurance could not provide up-to-date information about its program. It appeared to Chair Flores that someone should audit the desk audit program. She was uncomfortable with the information the Subcommittees had received. It was difficult to make a determination as to whether an extension for the two-year program should be granted because there was no information regarding the effectiveness of the program and how much money had been generated for the General Fund. She asked whether that information was available.

Mr. Plain responded that the Division of Insurance had no collection authority over the premium taxes. The amount of variance in the industry had been reported and transmitted to the Department of Taxation for collection. Once the information was given to the Department of Taxation for collection, the Division had no authority unless the insurer refused to pay. If that occurred, the Division of Insurance had authority under chapter 680B.060 of the *Nevada Revised Statutes* to make a collection.

Responding to Chair Flores, Ms. Sakelarios clarified that the Fiscal Analysis Division staff attempted to follow up with the Department of Taxation regarding the fees collected. The Department responded they would work on the request, but because of other requests from the Legislative Counsel Bureau, the Department was uncertain when the information would be provided.

Chair Flores questioned the justification for extending the two-year program, to which Mr. Kipper responded he believed that it was reasonable to extend the program another two years because only about 150 audits had been completed. There was no expense to the General Fund for the extension since the program was financed by the entities audited for premium tax compliance. The audit had identified about \$2.2 million of collectable, underreported insurance premium tax, and the program could recover up to \$5 million in unpaid or underpaid insurance premium taxes.

Chair Flores interjected that the desk audit program had been operating at a deficit because of the billing methods. She asked whether the Division of Insurance intended to address the billing problems, and Mr. Kipper responded that they would.

Senator Denis noted the desk audit program had been established during the 26th Special Session of the Legislature to address a concern that the companies had not been audited, which he agreed needed to be done. It was his understanding that the Division of Insurance wanted to increase the fee charged for the audits, and there were hours that could not be billed. With the increase in fees and with the two auditors on staff, Senator Denis wondered whether the program could be completed successfully with a two-year extension and could clear the deficit.

Mr. Kipper believed that would be possible, but it was projected that only 102 audits would be completed. He thought that number was conservative. Mr. Kipper suggested the Division of Insurance could report to the Legislature on its progress during the upcoming biennium.

In response to Senator Denis, Mr. Kipper stated that audits performed during the next biennium would generate enough revenue to pay for themselves. Additionally, Mr. Kipper noted that the Fiscal Analysis Division staff had not received the reports filed by the desk audit program because the Department of Taxation was unable to provide them at this time.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR DENIS MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO EXTEND THE INSURANCE PREMIUM TAX DESK AUDIT PROGRAM FOR TWO YEARS AND TO APPROVE TWO INSURANCE EXAMINER POSITIONS AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS TO THE REVENUE PROJECTIONS AS NECESSARY.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, advised the Subcommittees the next major closing item pertained to the Division of Insurance cost-allocation plan. The Executive Budget recommended \$656,277 in fiscal year (FY) 2014 and \$679,667 in FY 2015 for transfer to the Insurance Regulation account (budget account 3813).

As previously discussed, the Fiscal Analysis Division staff recommended revisions to the cost-allocation transfer. Ms. Sakelarios noted that in a review of the historical transactions for this account, it appeared that while the Division based the cost allocation for the 2011-2013 biennium on the amount of the projected time and effort employees dedicated to activities funded through this account, the Division's actual transfer was based on the legislatively approved amount. Generally, agencies used actual time and effort reporting during the fiscal year to determine and validate the amount of the cost-allocation transfer. During FY 2012, the Division transferred 100 percent of the legislatively authorized expenditure amount of about \$1.1 million, but only \$803,582 in revenue was collected to support this expenditure. Fiscal Analysis Division staff noted that as of April 23, 2013, the Division transferred \$570,983 to budget account (BA) 3813 but collected administrative fee revenue totaling \$328,126. Fiscal Analysis Division staff recommended the cost allocation be revised in BA 3817 to equal the amount of the administration fee included in the budget less any operating expenditures.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE THE TECHNICAL ADJUSTMENTS RECOMMENDED BY FISCAL ANALYSIS DIVISION STAFF TO REALIGN THE COST-ALLOCATION TRANSFER TO THE INSURANCE REGULATION ACCOUNT BASED ON THE PROJECTED ADMINISTRATION FEE REVENUE IN THIS ACCOUNT.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, requested the Subcommittees consider the other closing items on page 26 of [Exhibit C](#). She noted The Executive Budget recommended a reserve of \$515,225 at the end of the 2013-2015 biennium. Based on revised revenue and expenditure projections for fiscal year (FY) 2013, the reserve at the end of FY 2013 was reduced to approximately \$230,819, compared to the \$538,136 included in the Governor's recommended budget. Fiscal Analysis Division staff noted that this reduction in the FY 2013 reserve reduced the projected reserve at the end of FY 2015 to \$230,561. This amount was slightly less than the Division's 60-day operating reserve target. The technical adjustments were included in the closing documents ([Exhibit C](#)). No additional action was necessary by the Subcommittees.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE OTHER CLOSING ITEMS AS RECOMMENDED AND AMENDED BY THE GOVERNOR.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
CAPTIVE INSURERS (504-3818)
BUDGET PAGE B & I-40

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed budget account (BA) 3818, Captive Insurers, for the Subcommittees. The major closing item for the budget account was the Division of Insurance cost-allocation plan. The agency stated the cost-allocation plan was originally based on a time and effort projection. Fiscal Analysis Division staff noted the agency projected a workload decrease in fiscal year (FY) 2015 compared to FY 2014. The projection for FY 2014 was a completion of 41 captive insurance examinations; however, only 13 were scheduled to begin during FY 2015, a 68 percent decrease in workload. The revenue originally projected to transfer to budget account (BA) 3813 was increased. The Division appeared to transfer 100 percent of the legislatively authorized amount for the cost allocation. This was not dependent on the amount of administration fee revenue collected. This had resulted in the agency using reserve funds since administration fee revenue had not been collected as projected.

Fiscal Analysis Division staff recommended that the cost-allocation transfer to the Insurance Regulation account (BA 3813) equal the projected administration fee revenue in this account for each year of the 2013-2015 biennium. This technical adjustment was reflected in the closing document ([Exhibit C](#)).

Chair Flores requested the Division of Insurance provide additional information for the Subcommittees. Subsequent to a previous meeting of the Subcommittees, Chair Flores believed there were reserve funds available. She was unclear why technical adjustments had to be made because there were insufficient reserves and cost-allocation problems. This was not the only account that had to be approved with technical adjustments because of the way the accounts were budgeted. Chair Flores wanted to put into the record that the accounts were being sorted out at the Division of Insurance. There were many budget accounts with problems that needed to be resolved prior to budget closings. When a money committee believed there were adequate reserves and then discovered that was not the case, it was disconcerting. Chair Flores asked the Division of Insurance to provide a statement of why this was happening and whether the Division was aware there were many cost-allocation problems and accounting concerns.

Todd Rich, Deputy Commissioner, Division of Insurance, Department of Business and Industry, stated that the Division was aware of the cost-allocation challenges, which was why the Division had undergone a time and effort study to try to determine the correct budget account for each employee. It was a complex problem because there were eight budget accounts and only 85 employees. As far as the technical movement of the money, he knew the Division was working closely with the Fiscal Analysis Division.

Aaron Frantz, Administrative Services Officer, Director's Office, Department of Business and Industry, testified that Chair Flores had a valid point. When trying to build budgets based on cost allocations between budgets, it was difficult to know which cost-allocation fee could be moved to which budget account. When the numbers changed, it affected the ending reserves. The Department was aware of the cost-allocation problem and had been working closely with the Fiscal Analysis Division staff to develop a methodology for the cost allocation. He believed the Department was moving in a positive direction, and the staff recommendation to match the administrative fees to the cost allocation was a progressive step. He thought it would be up to the Division of Insurance to track the time and effort study to verify the cost allocations and provide the money committees the information needed to make the appropriate decisions.

Chair Flores was pleased to know that the Department and the Division were aware of the situation and was working to resolve the problems. Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE TECHNICAL ADJUSTMENTS TO REALIGN THE COST-ALLOCATION TRANSFER TO THE INSURANCE REGULATION ACCOUNT (BA 3813) AS RECOMMENDED BY FISCAL ANALYSIS DIVISION STAFF BASED ON THE PROJECTED ADMINISTRATION FEE REVENUE.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that under other closing items, decision unit Enhancement (E) 802 was not included in The Executive Budget. The decision unit adjusted cost allocations to the Department of Business and Industry by \$268 in fiscal year 2015.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE OTHER CLOSING ITEMS AS RECOMMENDED AND AMENDED BY THE GOVERNOR AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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**COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
INSURANCE RECOVERY (504-3821)
BUDGET PAGE B & I-45**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed budget account (BA) 3821 starting on page 31 of [Exhibit C](#). The account was not previously heard by the Subcommittees, and there were no major closing items. Fiscal Analysis Division staff recommended closing the account as recommended by the Governor.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE BUDGET ACCOUNT 3821 AS RECOMMENDED BY THE GOVERNOR.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

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**COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
INSURANCE EDUCATION & RESEARCH (504-3824)
BUDGET PAGE B & I-46**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the Subcommittees' attention to page 32 of [Exhibit C](#), Insurance Education and Research budget account (BA) 3824. There were two major closing concerns in the budget account.

Ms. Sakelarios explained the first item pertained to the reconciliation for fiscal year (FY) 2013 revenue and expenditures. During the hearing on April 24, 2013, it appeared the agency had a surplus of reserves; however, Fiscal Analysis Division staff recognized that the expenditures less the reserves were exceeding the revenue available to this budget account. It appeared the shortfall would increase by approximately \$32,100 by the end of FY 2013.

Ms. Sakelarios noted the account was funded with revenue collected in the Insurance Recovery account (BA 3821). According to chapter 679B.305 of the *Nevada Revised Statutes*, any balance over \$40,000 at the end of a fiscal year must be transferred to the Insurance Education and Research account for insurance education or any other purpose authorized by the Legislature. It appeared, based on the financial records, the money was being moved from BA 3821 into BA 3824 during the current fiscal year on a quarterly basis, rather than waiting until the end of the fiscal year. This resulted in the agency spending the revenues in the current fiscal year that should have been held until the next fiscal year. The practice reduced the amount of funding available to the agency in FY 2014; however, by FY 2015, the revenues would be restored to the amount included in The Executive Budget.

The transactions reduced the reserve in FY 2013 to approximately \$457,296, which was less than the \$502,464 included in The Executive Budget. Ms. Sakelarios noted that \$203,123 of this reserve was restricted to activities that complied with a settlement agreement. Additionally, expenditure of revenue intended for FY 2014 to address the budgetary shortfall in FY 2013 reduced the projected revenue in this account for FY 2014 to \$72,020 compared to \$606,705 included in The Executive Budget. Technical adjustments had been made to revise the revenue and expenditure projections included in the base budget to reflect the revised revenue and expenditure projections. The adjustments were included in the closing documents ([Exhibit C](#)).

Chair Flores advised that Fiscal Analysis Division staff stated the agency would not be continuing this practice.

In response, Ms. Sakelarios commented that the Division of Insurance understood the legislative intent and had agreed not to make the transfer until the end of the fiscal year. Fiscal Analysis Division staff would be monitoring the accounts to ensure compliance by the Division of Insurance.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HOGAN MOVED TO APPROVE THE TECHNICAL ADJUSTMENTS TO THE INSURANCE EDUCATION AND RESEARCH BUDGET ACCOUNT 3824 BASED ON THE DIVISION OF INSURANCE'S REVISED REVENUE AND RESERVE PROJECTIONS FOR THE 2013-2015 BIENNIUM.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that based on the technical adjustments made to the revenue projections for budget account (BA) 3824 for the 2013-2015 biennium and the cost-allocation changes approved in BA 3813, Fiscal Analysis Division staff recommended that the proposed cost-allocation transfer from BA 3824 to BA 3813 be eliminated for the 2013-2015 biennium.

Additionally, Ms. Sakelarios explained the Division's rationale for the proposed cost allocation for the 2013-2015 biennium was based on the premise that the time employees spent attending training should be charged to BA 3824. Using this methodology divisionwide would result in nearly all of the Division's 85 employees being cost-allocated to this account. Accordingly, Fiscal Analysis Division staff recommended that the proposed cost-allocation transfer to BA 3813 be eliminated.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMEN EISEN MOVED TO ELIMINATE THE COST-ALLOCATION TRANSFER FROM THE INSURANCE EDUCATION AND RESEARCH ACCOUNT TO THE INSURANCE REGULATION ACCOUNT (3813) DURING THE 2013-2015 BIENNIUM.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Senator Roberson was not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the Subcommittees' attention to page 34 of [Exhibit C](#), other closing items. As a result of the actions taken during fiscal year (FY) 2013, the reserve in budget account (BA) 3824 would be reduced to \$236,814 at the end of FY 2015, of which \$203,125 was restricted to activities allowed through the Title Settlement Agreement.

Ms. Sakelarios noted that decision unit Enhancement (E) 802 had been included in this budget account through an amendment and included cost-allocation changes for the Department of Business and Industry.

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Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE OTHER CLOSING ITEMS AS RECOMMENDED AND AMENDED BY THE GOVERNOR, INCLUDING COST ALLOCATIONS RECOMMENDED IN BUDGET AMENDMENT A130013824, AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

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**COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
NAT. ASSOC. OF INSURANCE COMMISSIONERS (504-3828)
BUDGET PAGE B & I-51**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed budget account (BA) 3828 for the Subcommittees. There were no major closing items in BA 3828. However, under other closing items she noted that during an earlier budget hearing the Division of Insurance stated a 60-day reserve should be maintained in each of the fee-funded accounts. In reviewing this budget account, Fiscal Analysis Division staff noted the reserve in BA 3828 was not a traditional operating reserve. The fee in this account was received in March of each year, and the revenue was used to pay for the National Association of Insurance Commissioners' (NAIC) assessment. The balance of the reserve was used to pay for NAIC-sponsored travel and training. The unspent reserve for the fiscal year should be balanced forward to the next fiscal year to support that travel.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE BUDGET ACCOUNT 3828 AS RECOMMENDED BY THE GOVERNOR AND

TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS BASED ON THE ACTIONS TAKEN IN OTHER DIVISION OF INSURANCE ACCOUNTS THAT AFFECT THIS ACCOUNT AND FINAL DEPARTMENT COST ALLOCATIONS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

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**COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
INSURANCE COST STABILIZATION (504-3833)
BUDGET PAGE B & I-53**

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed budget account (BA) 3833 for the Subcommittees. According to chapter 679B.158 of the *Nevada Administrative Code*, the Commissioner of Insurance annually determines the amount of the fee assessed through BA 3833 by dividing the amount of money appropriated by the Legislature by the number of casualty or property insurers in the state. In fiscal year (FY) 2012, the Insurance Commissioner waived the annual assessment based on the high reserve level at the end of FY 2011 despite the dollar amount that was authorized to be collected by the Legislature. In FY 2013, the Insurance Commissioner reduced the per-insurer fee to \$56.

These actions resulted in a projected reserve being reduced to \$49,336; however, The Executive Budget displayed a projected balance forward into FY 2014 of \$167,910. Based on the revenue and expenditure projections in The Executive Budget for BA 3833, Ms. Sakelarios said it appeared that the revenue included in The Executive Budget could be reduced for FY 2015.

The Executive Budget recommended fee revenue totaling \$88,100 in FY 2014 and \$110,125 in FY 2015. The agency had provided revised revenue and expenditure projections and stated that the budget was fundable with \$88,100 of revenue. Ms. Sakelarios noted that The Executive Budget included fine revenue totaling \$6,000 in each year of the 2011-2013 biennium; however, it appeared the fine revenue for the 2013-2015 biennium was understated. As of

April 20, 2013, the fine revenue totaled \$10,400 in FY 2013, and the 5-year average of fine revenue totaled about \$11,700 per year. Fiscal Analysis Division staff recommended a technical adjustment to increase the fine revenue to \$10,000 in each year of the 2013-2015 biennium.

Based on the Division of Insurance's most recent reserve and expenditure projections for the 2013-2015 biennium, Fiscal Analysis Division staff recommended that the projected property and casualty assessment revenue for the Insurance Cost-Stabilization account be reduced to \$24,750 in FY 2014 and \$75,653 in FY 2015. It appeared this would equate to an annual assessment of approximately \$28 in FY 2014 and \$86 in FY 2015. The adjustment, in addition to the increased fine revenue, would allow the agency to have a reserve of \$12,764 in FY 2014 and \$14,078 in FY 2015, which would equate to the Division of Insurance's targeted 60-day reserve.

Chair Flores requested clarification on the difference between the FY 2014 and the FY 2015 revenue. She wondered why the Legislature should approve two different amounts of revenue for the same account.

Ms. Sakelarios explained the adjustment for FY 2014 was based on the reserve that would balance forward from FY 2013. The reduction in FY 2015 was the result of reducing operating reserve to the 60-day target and the increased revenue from fines.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN EISEN MOVED TO APPROVE PROPERTY AND CASUALTY ASSESSMENT REVENUE TOTALING \$24,750 IN FY 2014 AND \$75,653 IN FY 2015, WHICH IN COMBINATION WITH THE TECHNICAL ADJUSTMENT TO FINE REVENUE, WOULD REDUCE THE RESERVE TO \$14,078 AT THE END OF FY 2015.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that under the other closing items for budget account (BA) 3833,

Fiscal Analysis Division staff recommended the cost allocation from this budget account to BA 3813 not occur during the 2013-2015 biennium. Additionally, a budget amendment had been received to introduce decision unit Enhancement (E) 802 to revise cost allocations in the Department of Business and Industry.

Chair Flores asked whether there were any comments or questions. There being none, she requested a motion.

ASSEMBLYMAN HOGAN MOVED TO APPROVE THE OTHER CLOSING ITEMS WITH THE TECHNICAL ADJUSTMENTS RECOMMENDED BY FISCAL ANALYSIS DIVISION STAFF AND AS RECOMMENDED AND AMENDED BY THE GOVERNOR.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

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COMMERCE & INDUSTRY
DEPARTMENT OF BUSINESS & INDUSTRY
SELF INSURED - WORKERS COMPENSATION (210-4684)
BUDGET PAGE B & I-58

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the Subcommittees' attention to page 41 of [Exhibit C](#). Budget account (BA) 4684 was not previously heard by the Subcommittees, and there were no major closing items in the account.

Ms. Sakelarios noted that under the other closing items, the base budget included examination fee revenue totaling \$112,500 in each year of the 2013-2015 biennium for contracted examination services of self-insured employers. The Division of Insurance submitted a work program in June 2012 to establish revenue and expenditure authority for examinations of self-insured employers. According to the justification, the Division must examine each self-insured employer at least once every three years to determine the sufficiency of reserves; the reporting, handling, and processing of claims; and the adequacy of the security deposit held by the Division. The Division stated

that it had determined that current employees were not qualified to perform the examinations. In response to the 2012 Legislative Counsel Bureau audit, the Division of Insurance began using contractors to make the determinations.

Ms. Sakelarios pointed out that a budget amendment had been received to introduce decision unit Enhancement (E) 802, which included revisions to the cost-allocation plan for the Department of Business and Industry.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

ASSEMBLYMAN HARDY MOVED TO APPROVE THE OTHER CLOSING ITEMS AS RECOMMENDED AND AMENDED BY THE GOVERNOR AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS BASED ON THE ACTIONS TAKEN IN OTHER DIVISION OF INSURANCE ACCOUNTS THAT AFFECTED BUDGET ACCOUNT 4684 AND FINAL DEPARTMENT COST ALLOCATIONS.

SENATOR DENIS SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

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SPECIAL PURPOSE AGENCIES
SILVER STATE HEALTH INSURANCE EXCHANGE
SILVER STATE HEALTH INSURANCE EXCHANGE ADMIN (101-1400)
BUDGET PAGE HEALTH INS EXCHANGE-3

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, directed the Subcommittees' attention to page 43 of [Exhibit C](#), the Silver State Health Insurance Exchange (SSHIX), budget account (BA) 1400. She noted there were three major closings concerns in the budget account.

The first item noted by Ms. Sakelarios was the authorization of fees for insurers participating in the SSHIX. The Governor recommended new fees totaling \$3,551,425 in fiscal year (FY) 2014 and \$10,772,958 in FY 2015 to build reserves to fund the personnel, operating, and maintenance costs of the SSHIX

beginning on January 1, 2015. Federal funding for the SSHIX would end on December 31, 2014; therefore, the SSHIX must become self-sustaining to continue operations.

The SSHIX revealed it was unable to assess fees for supplemental services (vision) and advertising or to earn interest. Senate Bill 454 was introduced to allow the SSHIX to assess the fees and to earn interest on the account and to make other statutory revisions. The agency said that if S.B. 454 was not passed, it could continue to provide dental service through SSHIX; however, it would be unable to include supplemental products such as vision services.

According to Ms. Sakelarios, a budget amendment had been received by the Fiscal Analysis Division staff that revised the revenue and expenditure projections based on revised caseload data developed by the Division of Health Care Financing and Policy, Department of Health and Human Services. The amendment proposed to increase the revenue to about \$3.55 million in FY 2014 and \$10.97 million in FY 2015.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION, AS AMENDED, TO ESTABLISH FEE REVENUE TOTALING \$3.55 MILLION IN FY 2014 AND \$10.97 MILLION IN FY 2015 TO BUILD RESERVES TO FUND THE PERSONNEL, OPERATING, AND MAINTENANCE COSTS OF THE SSHIX AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the second major closing item in budget account (BA) 1400 was a request for increased staffing in decision unit Enhancement (E) 744. The Governor proposed federal grant funding and fee revenue totaling \$314,904 in fiscal year (FY) 2014 and \$329,972 in FY 2015 for personnel and operating costs associated with the addition of four new

unclassified positions needed to fulfill the requirements of the Affordable Care Act (ACA). The four positions included one benefits manager, one quality assurance officer, one training specialist, and one administrative assistant. The agency stated that the benefits manager, quality assurance officer, and training specialist would be hired on July 1, 2013, and the administrative assistant would be hired on October 1, 2013. The recommended salaries would be reviewed when considering the unclassified pay bill.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR WOODHOUSE MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ADD FOUR NEW UNCLASSIFIED POSITIONS TO THE SILVER STATE HEALTH INSURANCE EXCHANGE ACCOUNT, INCLUDING ONE BENEFITS MANAGER, ONE QUALITY ASSURANCE OFFICER, ONE TRAINING SPECIALIST, AND ONE ADMINISTRATIVE ASSISTANT AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, pointed out the next major closing item was the Silver State Health Insurance Exchange (SSHIX) development and operation under decision unit Maintenance (M) 501. The Governor proposed federal grant funds and fee revenue totaling \$15,743,176 in fiscal year (FY) 2014 and \$5,832,321 in FY 2015 for the development and operation of the SSHIX and the eligibility engine located in the Division of Welfare and Supportive Services, Department of Health and Human Services.

According to Ms. Sakelarios, the SSHIX must provide consumer assistance functions and must refer consumers to consumer assistance programs in the state when available and appropriate. Navigators and enrollment assistants would be used for this purpose, as would certified application counselors located within hospitals. A request for applications (RFA) was released by the SSHIX on March 1, 2013, that would provide federal funding to

community-based organizations that wanted to provide this service. The SSHIX stated that approximately 20 navigators and 183 enrollment assistors would be available in each year of the open enrollment period to facilitate enrollment in the SSHIX.

For enrollers to assist others in accessing services through the SSHIX, they must either hold a producer license or acquire an exchange enrollment facilitator certification. Ms. Sakelarios pointed out the certification would be created and administered by the Division of Insurance. The Division of Insurance stated that a national vendor would be used to administer the certification examination at test sites in Reno and Las Vegas. Additionally, the Division of Insurance would collect an application fee for the service of \$195 per facilitator. The agency said it would cost about \$550 for each person to receive the certification and training. Funding would be made available through the RFA granting process to cover these expenditures during the 2013-2015 biennium.

Assembly Bill 425 established the certification provisions for the enrollment facilitators by the Commissioner of Insurance. The agency indicated that if the legislation was not approved during the 2013 Legislative Session, the SSHIX would develop procedures for certifying navigators and enrollment assistors; however, they believed this was not the ideal situation because the Exchange would be certifying the persons who would be doing the work on the agency's behalf. Assembly Bill 425 was referred to the Assembly Committee on Ways and Means on April 23, 2013.

Ms. Sakelarios noted a budget amendment was received to revise the expenditures in decision unit Maintenance (M) 501. The budget amendment increased the fee revenue from qualified health plans in fiscal year (FY) 2014 from \$370,000 to about \$3.63 million. The increased revenue was allocated to the reserve category. According to the budget amendment, this increase was based on revised caseload projections from the Division of Health Care Financing and Policy.

Hearing no response to her request for comments or questions, Chair Flores requested a motion.

SENATOR DENIS MOVED TO APPROVE THE GOVERNOR'S AMENDED RECOMMENDATION TO SUPPORT THE ONGOING DEVELOPMENT AND OPERATION OF THE SILVER STATE HEALTH INSURANCE EXCHANGE AND THE ELIGIBILITY ENGINE WITH FEDERAL GRANT FUNDS, FEE REVENUE, AND RESERVES AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that under other closing items, the budget amendment made changes to the expenditures and revenue projections for the caseload-driven costs in decision unit Maintenance (M) 200 and changes in decision units Enhancement (E) 740 and E-745. The technical adjustments were included in the closing document ([Exhibit C](#)).

Chair Flores asked whether there were any comments or questions. There being none, she requested a motion.

ASSEMBLYMAN AIZLEY MOVED TO APPROVE OTHER CLOSING ITEMS ONE THROUGH FOUR AS RECOMMENDED BY THE GOVERNOR AS AMENDED AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR WOODHOUSE SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Anderson and Senator Roberson were not present for the vote.)

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There being no additional comments or questions, Chair Flores adjourned the meeting at 9:49 a.m.

RESPECTFULLY SUBMITTED:

Linda Blevins
Committee Secretary

APPROVED BY:

Assemblywoman Lucy Flores, Chair

DATE: _____

Senator Joyce Woodhouse, Chair

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: May 3, 2013

Time of Meeting: 8:15 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Adam Drost, Fiscal Analysis Division, Legislative Counsel Bureau	Closing Documents