MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Seventh Session
April 22, 2013

The Committee on Ways and Means was called to order by Chair Maggie Carlton at 8:09 a.m. on Monday, April 22, 2013, in Room 3137 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).

COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblyman William C. Horne, Vice Chair
Assemblyman Paul Aizley
Assemblyman Paul Anderson
Assemblyman David P. Bobzien
Assemblyman Andy Eisen
Assemblywoman Lucy Flores
Assemblyman Tom Grady
Assemblyman John Hambrick
Assemblyman Cresent Hardy
Assemblyman Pat Hickey
Assemblyman Joseph M. Hogan
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblyman Michael Sprinkle

GUEST LEGISLATORS PRESENT:

Assemblywoman Olivia Diaz, Clark County Assembly District No. 11

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Michael J. Chapman, Principal Deputy Fiscal Analyst
Kristen Kolbe, Program Analyst
Mark Winebarger, Program Analyst
Janice Wright, Committee Secretary
Cynthia Wyett, Committee Assistant

Chair Carlton opened the hearing and asked the audience to please silence their cell phones and other devices. Her plan was to begin the meeting with budget closings and then hear several bills. She started closing budgets with the Office of the State Controller.

ELECTED OFFICIALS
CONTROLLER'S OFFICE
CONTROLLER'S OFFICE (101-1130)
BUDGET PAGE ELECTED-234

Kristen Kolbe, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented Exhibit C, "Closing List 4," and testified that budget account (BA) 1130 contained four major closing issues for the Office of the State Controller listed on page 15 of Exhibit C. The first major closing issue was the debt collection and recovery system (DCARS). The Governor recommended a transfer of $200,000 in fiscal year (FY) 2014 to contract with a vendor to provide enhancements to DCARS. The enhancement would automate the reporting of debts owed by state agencies, cities, counties, and courts to initiate debt collection. As background information, the Legislature in the 75th Session (2009) approved General Funds of $317,383 over the 2009-2011 biennium for a technology solution to allow the Office to manage the information collection, collation, and workflow process related to the state's debt collection efforts. At that time, the total debt owed to the state was estimated to be $4.6 million. Assembly Bill No. 87 of the 75th Session (2009) was approved to facilitate the implementation of DCARS.

Ms. Kolbe relayed that Assembly Bill No. 196 of the 76th Session (2011) was approved to expand the agency's authority to collect debts from courts and enter into cooperative agreements with governmental entities. The Legislature in the 76th Session (2011) approved $200,000 in transfers from the Debt Recovery Account (BA 1140) to enhance DCARS. Ms. Kolbe noted that less than $2,000 had been expended to date for debt collection costs. Although the agency was authorized to expand its automation of debt collections from the cities, counties, and the courts, it had not entered into cooperative agreements. The agency indicated it needed the ability to create reports and conduct "analytics." The approved funding would allow automatic extraction of data from each agency, eliminating the manual processes and reducing debt processes from 90 to 120 days to only 60 days.

Ms. Kolbe continued that during the March 4, 2013, budget hearing the Committee expressed concern that the Office of the State Controller had been provided resources to facilitate debt collection, but the Office had not used the tools provided. The Office indicated it used in-house information technology (IT) resources, but staff was too busy to complete the additional enhancements to DCARS. Further, the Office testified that other state agencies requested funds from the Debt Recovery Account, but the Office was unable to verify the funding sources based on the information provided by the other state agencies. Any funding returned to the requesting agency reduced the Debt Recovery Account. The Office asserted the recommended enhancements to DCARS would provide the tools needed to improve the debt collection process.

Ms. Kolbe asked whether the Committee wished to approve $200,000 in transfer funds from the Debt Recovery Account (BA 1140) to allow the Office to contract with a vendor to provide enhancements to the debt collection and recovery system as recommended by the Governor in decision unit Enhancement (E) 227.

In response to a question from Assemblyman Kirner, Kim R. Wallin, State Controller, Office of the State Controller, replied that the assistant controller position would provide the resources to manage the debt collection and recovery system. The allocation request of $200,000 was based on filling the vacant assistant controller position.

Chair Carlton said the original appropriation to the Office of the State Controller was $200,000 in 2011, and $200,000 was transferred from the Debt Recovery Account (BA 1140) to Controller's Office account (BA 1130) to enhance the debt collection and recovery system.

Ms. Kolbe replied that the Office had authority to make that transfer; however, that transfer was never completed.

Chair Carlton said decision unit E-227 appeared to reestablish that same transfer authority to use those funds when necessary. The $200,000 was never accessed and was requested again. Approval would authorize the transfer of $200,000 dependent upon other decision units in budget account 1130.

Assemblywoman Kirkpatrick recalled A.B. No. 87 and previous testimony that the Office would generate sufficient money to pay for this work without initial funding. She wondered whether that was still the case or not. She wanted to know whether the debt collection and recovery system needed an ongoing appropriation.

Ms. Kolbe replied that this request was for authority for a one-time transfer specific to DCARS to allow the Office to extract information. This request would not be included in the base budget for the 2015-2017 biennium because it was a one-time appropriation.

> ASSEMBLYWOMAN FLORES MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR $200,000 IN TRANSFER FUNDS FROM THE DEBT RECOVERY ACCOUNT BUDGET ACCOUNT 1140 AS REQUESTED IN DECISION UNIT ENHANCEMENT 227.
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> ASSEMBLYMAN EISEN SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblyman Hogan was not present for the vote.)

Ms. Kolbe testified the Governor recommended $26,874 in General Funds and $163,529 in transfer funds from the Debt Recovery Account (BA 1140) over the 2013-2015 biennium to restore the assistant controller position eliminated as recommended by the Governor and approved by the 2011 Legislature. If approved, the position's duties would include public information (10 percent), legislative liaison duties (5 percent), and debt collection (85 percent). The Office of the State Controller indicated the debt collection duties of the assistant controller position had not been reassigned, and the State Controller performed some of the duties as time permitted. However, in follow-up information provided after the March 4, 2013, hearing, the Office indicated that the existing chief accountant position managed and performed supervisory duties for the debt collection unit, consisting of the chief accountant and four accounting positions.

Ms. Kolbe explained that although the 2011 Legislature approved the elimination of the assistant controller position as recommended by the Governor, the position was approved to remain in the unclassified pay bill to allow the Office the ability to approach the Interim Finance Committee (IFC) during the 2011-2013 biennium to restore the position. The Office of the State Controller had approval to approach IFC if the workload of collecting debts for cities, counties and the courts was substantial, and the Office needed the position. The Office of the State Controller also had approval to access funds from the Debt Recovery Account. The assistant controller position and operating costs totaled approximately $110,000 each year of the 2011-2013 biennium. Ms. Kolbe noted that the Office did not approach IFC during fiscal year (FY) 2012 or during the first half of FY 2013 to restore the position as authorized by the Legislature in the 76th Session (2011) in support of debt collection efforts. She provided a brief history of the Debt Recovery Account established in FY 2010, including reserve levels, in a table shown on page 16 of Exhibit C. The table reflected sufficient reserves in the Debt Recovery Account to support the assistant controller position costs of $110,000.

Ms. Kolbe also provided a table on page 17 of Exhibit C showing performance indicators that reflected a reduction in the total percentage of debts under $25,000 collected in FY 2010 and FY 2011, and the percentage was significantly less than projected for FY 2012. The average age of the debt turned over to the Office decreased to 634 days in FY 2012 from the 803 days averaged in FY 2010.

Ms. Kolbe recounted that during the budget hearing on March 4, 2013, the Office testified that because the assistant controller position was eliminated, collection of debt owed to the state had declined from 28 percent to 19 percent, a loss estimated by the Office at $2.7 million. She noted that debt collections in FY 2011 exceeded debt collected in FY 2010 after the incumbent in the assistant controller's position terminated in October 2010 (FY 2011). According to the state's accounting system, debt collections for FY 2013 had exceeded debt collected in FY 2011 as of April 19, 2013. She provided a table on page 17 of Exhibit C that showed a brief history of the Collection Agency Activity account, which was the primary revenue source for the Debt Recovery Account.

Ms. Kolbe explained that during the budget hearing on March 4, 2013, the Office indicated that it disagreed with the Governor's recommendation to support the costs of the assistant controller position with transfers from the Debt Recovery Account because none of the Office's other positions were funded with transfers from the Debt Recovery Account. Further, the Office testified that it understood that the funds recorded in the Debt Recovery Account were limited to funding information technology (IT) projects or purchases. *Nevada Revised Statutes* (NRS) 353C.226 stated, "Money in the Account may only be used for support of the debt collection efforts of the State Controller pursuant to the chapter." She noted that based on the provisions of NRS 353C.226, Legislative Counsel confirmed that money in the Debt Recovery Account was not restricted to only IT purchases or products. Additionally, the Office testified that because of the uncertainty of funding in the Debt Recovery Account, the Office did not previously request restoration of the assistant controller position that was tasked with debt collection efforts.

Ms. Kolbe provided the following three options for the Committee to consider:

1. Approve decision unit Enhancement (E) 750 to restore the assistant controller position as recommended by the Governor including the transfer from the Debt Recovery Account of $161,798 over the 2013-2015 biennium to support 85 percent of the assistant controller's salary, benefits, operating, and equipment costs.

2. Restore the assistant controller position and eliminate transfers from the Debt Recovery Account of $161,798 to support 85 percent of the assistant controller's salary, benefits, operating costs, and equipment costs. This option would require an additional $161,798 of General Funds over the 2013-2015 biennium to support the position.

3. Do not approve decision unit E-750 to restore the assistant controller position. If the Committee chose to approve option 3, it may wish to consider leaving the assistant controller position in the unclassified pay bill allowing the Office of the State Controller to approach IFC to request reestablishing the position with a transfer from the Debt Recovery Account to support debt collection efforts.

In response to a question from Assemblyman Horne, Ms. Kolbe replied that it appeared that without the assistant controller position, current collections had exceeded prior collections.

In response to a question from Assemblyman Grady, Ms. Wallin replied that the assistant controller position aided in managing and sending debts to a collection agency. The position supported state agencies to achieve compliance with Assembly Bill No. 87 of the 75th Session (2009), because a number of state agencies were not in compliance. The position would monitor performance of collection agencies to ensure they were not just collecting the easy debts but were working to collect all the debt.

Assemblywoman Kirkpatrick said much of the old debt was collected in 2009, and she wondered how much of that debt was from 2009.

Ms. Wallin replied that state agencies were submitting the old debt, and the Office was still working on that debt.

Assemblywoman Kirkpatrick wondered what had been accomplished in the last four years because she remembered A.B. No. 87 specifically. The Legislature was told in testimony that the Office of the State Controller needed one person to complete the debt collection program. She thought less than $1 million had been spent on this program, and she needed to know the purpose of that spending. There were other bills after A.B. No. 87 that requested more funding for the debt recovery program. She was not comfortable with this request. During the previous hearing on March 4, 2013, Ms. Wallin had stated she cut a deal with the former Speaker of the Assembly. Assemblywoman Kirkpatrick wanted to be clear about the expectation for the future of the debt collection program.

Ms. Wallin clarified that A.B. No. 87 did not add any additional staff. She had an assistant controller position but lost that position during the 76th Session (2011). The Office collected more dollars but not a larger percentage of debts because the percentage of debt decreased when the amount of debt increased. When Ms. Wallin was elected as State Controller, $10 million of debt had been turned over to the Office. By working with the state agencies to get them into compliance, the Office had increased that number to $30 million by 2010, and the Office now had a portfolio of $100 million of debt to collect. The performance measures showed less debt collected as a percentage of the total even though the dollars of debt collected had increased. The Office encouraged state agencies to turn over the debts, and established some procedures to help state agencies collect the debt before the debt was turned over to the Office. Informing debtors that the failure to pay would result in the debt being turned over to the Office of the State Controller for collection resulted in better responses. She believed that the Office was making state agencies aware that they had debts that must be collected.

Chair Carlton asked the State Controller why she did not ask IFC for the position when she had approval to request it. She wanted an understanding of the reasons for waiting and requesting the position now.

Ms. Wallin replied that the balance in the reserve account was $79,822 in FY 2010, $167,013 in FY 2011, and $287,251 in FY 2012. She had not approached IFC because state agencies requested return of the debt funds collected up to three years later, because the money collected was not General Fund, and the agency wanted the funds returned. It was hard to budget when she did not know how much must be returned to the state agencies. Senate Bill 21 would change that provision so the state agencies would only have 60 days to request return of the money after it was collected.

In response to a question from Chair Carlton, Ms. Wallin replied that state agencies requested return of debt collections more often than one would think. She thought it happened about ten times. When a state agency asked for the money back, the agency typically asked for large amounts such as $50,000. Some requests were for smaller amounts. She did not have the exact amount or number of requests received.

Chair Carlton said if the Committee approved the assistant controller position and the 85 percent funding from the Debt Recovery Account, the state would pay 15 percent of that position's costs from the General Fund.

Assemblyman Eisen asked about the duties of the assistant controller position. One of the performance indicators listed in the table on page 17 of Exhibit C was the average age of debt that was turned over to the Office by the state agencies. The projections for the 2013-2015 biennium were based on being able to fill the vacant assistant controller position. He saw that the age of the debt decreased but was unsure how the presence of the assistant controller position affected the age of the debt turned over by the state agencies. He wondered whether the assistant controller position would be visiting the state agencies and looking at the records to determine what aged debt should be turned over to the Office.

Ms. Wallin replied the assistant controller position would work with state agencies. The person would monitor the agencies for exemptions or compliance with A.B. No. 87. The State Controller tried to get the state agencies into compliance as time permitted. She brought state agency staff into her office to determine why they were not in compliance. Compliance would be one of the first tasks assigned to the assistant controller.

ASSEMBLYMAN HORNE MOVED TO NOT APPROVE DECISION UNIT ENHANCEMENT 750 TO RESTORE THE ASSISTANT CONTROLLER POSITION BUT APPROVE RETAINING THE POSITION IN THE UNCLASSIFIED PAY BILL ALLOWING THE STATE CONTROLLER TO APPROACH THE INTERIM FINANCE COMMITTEE TO REQUEST REESTABLISHING THE POSITION WITH A TRANSFER FROM THE DEBT RECOVERY ACCOUNT TO SUPPORT DEBT COLLECTION EFFORTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

Chair Carlton called for discussion on the motion and added that the Committee should ensure the Debt Recovery Account had sufficient reserves and hold a discussion during the Interim Finance Committee (IFC) meeting about this position. It might be helpful to have IFC approve this position on a trial basis to evaluate the results. If the position performed as expected and the reserves were sufficient, IFC may wish to approve a recommendation to the Legislature, which could then consider establishment of a permanent position. This process may provide the opportunity to reevaluate the position in the future.

Assemblyman Kirner said he had no difficulty with the motion but would prefer to approve some performance measurements. The IFC could base its approval on the performance indicators.

Chair Carlton clarified that the Office could request the position from IFC, which could ask all those questions to establish that position and then follow up afterward with more information. The next Legislature would want to know how this position worked, what it was doing, whether this funding was the best model for this position, or whether adjustments should be made in the future.

Assemblyman Grady was bothered that the Office developed a collection process, but no enforcement policies were created to require state agencies to turn over debt early. If an agency waited 500 to 600 days, it was hard to collect the aged debt. He suggested a policy that required debt be turned over to the Office in a reasonable amount of time. Most of the debt was probably from the Department of Taxation. The state needed to collect the debt quickly, not wait 500 to 600 days. Until the state adopted that policy, the debt recovery process would not work.

Chair Carlton agreed but said that the policy was not the Committee's decision to make today, and the policy should be developed for the state.

Assemblyman Aizley said it appeared the position had been vacant for two years. He did not understand why it would be best to wait and see whether there were any changes without the position being filled. He doubted anything would change and believed the Committee had the evidence now.

Chair Carlton replied that the proposal was to allow the Office of the State Controller to request IFC to establish the assistant controller position and not establish the position today. If the Debt Recovery Account reserves were sufficient to fund the position, the Office of the State Controller could request and fund this position through the original scheme that was approved during the 76th Session (2011). The Committee would ask the Office of the State Controller to return to IFC and request the position. The IFC could study the reserve balances and analyze the funding streams to determine whether this was the correct funding stream or whether General Fund should be used in the future. The decision before the Committee was whether it wanted to authorize General Funds or fund the costs of the position from the Debt Recovery Account. The Committee could evaluate the need before it decided to approve General Fund money to fund this position.

Assemblyman Aizley wondered what type of data the Committee wanted from the Office of the State Controller.

Chair Carlton said she wanted the Office of the State Controller to return to IFC and show IFC how much money was in the reserves and ask for the position. The IFC could analyze the problem and study the funding sources, rather than the Committee establishing the position at this time.

Assemblywoman Flores thought that the Committee members recognized that the state agencies were understaffed. It appeared that the Office lacked the staff, and it required money to make money by collecting the debt. The Committee expected a change, but was not providing the resources needed to make the change. She did not support the motion and believed the Committee should either approve the position or not. The State Controller testified that she needed the position. Assemblywoman Flores preferred to restore the position.

Chair Carlton said that in essence this motion would restore the position from Debt Recovery Account funds as they were available, without putting General Fund money into the position.

Assemblywoman Flores understood the motion. The position was funded with 15 percent General Funds. She thought that the sooner the Office of the State Controller received approval for the position, the sooner she could ensure that the debts were being collected within a 300-day period. The Office could build up the reserves and get to a point where the Debt Recovery Account was able to sustain itself.

Chair Carlton called for a vote on the motion.

> THE MOTION CARRIED. (Assemblymen Aizley and Flores voted no. Assemblyman Hogan was not present for the vote.)

Ms. Kolbe testified that the next major closing issue was the Single Audit Reporting Form (SARF). The Governor recommended General Funds of $22,500 over the 2013-2015 biennium to purchase eXtensible Business

Reporting Language (XBRL) editing and maintenance software to standardize the reporting of accounting transactions by providing editing solutions. According to the Office, the annual SARF captured expenditures associated with federal funds awarded to the state. The SARF was used by the federal government to review levels of accountability applied to federally funded programs.

Ms. Kolbe explained the 2011 Legislature approved General Funds of $50,000 in FY 2012 for a SARF XBRL technology solution to eliminate most data entry required by state agencies and address control issues related to balancing and reconciling the SARF reports with information from the state's accounting system. Because of delays in the procurement and contracting processes, the Office approached the August 23, 2012, meeting of IFC and received approval for $42,200 from the Contingency Account. The $42,200 represented the remaining balance after planning and design costs of $7,800 were paid from the original $50,000 appropriation in FY 2012. According to the state's financial system, the Contingency Account funds of $42,200 were expended in FY 2013. The Office indicated that approximately $4,000 per year was required to maintain the industry standard software tool for the SARF.

Ms. Kolbe stated that the recommendation included in decision unit E-581 allowed the Office to automatically pull information from the state's accounting system and eliminate most of the data entry currently required by state agencies. During the budget hearing on March 4, 2013, the Office testified that auditors requested more analytical work and follow-up from the Office to reduce errors on reports regarding federal grants awarded to the state that failed to match the statewide accounting system. Further, the Office indicated that if errors were not corrected, the state may be subject to increased audits and additional audit fees. However, the Office failed to provide Fiscal Analysis Division staff with written audit findings to substantiate the Office's claims of possible increased audits and audit fees. She asked whether the Committee wished to approve General Funds of $22,500 over the 2013-2015 biennium for the purchase of editing software and maintenance for the SARF.

> ASSEMBLYMAN BOBZIEN MOVED TO APPROVE GENERAL FUNDS OF $22,500 OVER THE 2013-2015 BIENNIUM FOR THE PURCHASE OF EDITING SOFTWARE AND MAINTENANCE FOR THE SINGLE AUDIT REPORTING FORM.
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> ASSEMBLYMAN ANDERSON SECONDED THE MOTION.
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> THE MOTION CARRIED. (Assemblyman Hogan was not present for the vote.)

Ms. Kolbe relayed that the Office of the State Controller requested funding of a computer training room that was not included in The Executive Budget. During the budget hearing on March 4, 2013, the Office requested the Committee consider adding General Funds of $204,749 over the 2013-2015 biennium for a 2,500 square-foot computer training room to provide "hands-on" training for state users of the state's financial system to assure that data was entered correctly and consistently. If approved, the funding would support building rent and janitorial services of $40,841 per fiscal year, one-time equipment purchases of $121,867, and yearly computer software antivirus subscription of $1,200 starting in FY 2015. According to the Office, the computer training room would be located on Fairview Drive in Carson City, provide training for up to 20 students at a time, and be available to other agencies as time permitted. If approved, the Office estimated it would use the training room approximately five days per month, and trainings would vary from four-hour blocks to full-day classes. Further, the Office indicated that the management and coordination of the computer training room would most likely be assigned to the existing training officer with assistance from the Office of the State Controller's help desk.

Ms. Kolbe explained that the Office reported that until recently, the training room of the Division of Welfare and Supportive Services (DWSS), Department of Health and Human Services, was used by the Office for training purposes. However, because of scheduling shifts for DWSS programs, the training room was no longer available on a consistent monthly basis. The Office indicated that it had recently been using the testing room on the first floor of the Blasdel Building. The testing room accommodated 30 prospective state employees at a time. The Blasdel Building testing room had been used by both the Office and the Division of Human Resource Management, Department of Administration, to teach portions of the state's financial and human resource systems. During the March 4, 2013, budget hearing, the Committee inquired about the use of the Legislative Counsel Bureau's (LCB) training room as an option to the Blasdel Building testing room. In follow-up information, information technology (IT) staff from LCB indicated that the LCB training room was used for training legislative session staff and full-time staff. Further, IT staff cited concerns over installation and compatibility of software, cloning of computers following each training, maintenance of the computers based on an accelerated use schedule, and provision of secured access to the facility.

Ms. Kolbe provided a table on page 19 of Exhibit C showing the demand for training had increased. The Office of the State Controller offered approximately 17 online classes for training on the state's online professional development center system that was available to all state employees through the Nevada Employee Action and Timekeeping System (NEATS). In response to staff inquiries, the office indicated that of the 913 students trained during FY 2012, 150 students, or 16.4 percent, were trained through online classes. Additionally, Fiscal Analysis Division staff noted the Office did not provide training to employees outside the Reno-Carson City area because of fiscal and logistical constraints; employees outside the Reno-Carson City area must either travel to Carson City for hands-on classes or were trained using online classes.

Ms. Kolbe said that during the March 4, 2013, hearing the Office testified that the existing Blasdel Building testing room was ineffective. A number of students had been turned away from training because of a lack of space, computer availability was inconsistent, and partitions in the computer testing room did not provide a conducive environment for interaction between the instructor and the students. The Office expressed concerns regarding security issues surrounding personally identifiable information such as the unauthorized use of social security numbers related to the use of off-site training facilities. In follow-up information, the Office indicted that the number of students turned away from training was unknown because it did not keep records on those events. The Office estimated that 60 hours had been expended by the IT staff of the Office of the State Controller to provide maintenance, repairs, or services to the Blasdel Building testing room computers. Ms. Kolbe noted that the computer equipment in the Blasdel Building testing room was approximately two years old. The partitions were on either side of the computer stations, but did not block the view of the student or the instructor. Additionally, personally identifiable numbers such as social security numbers were highly restricted and not available to employees outside personnel or payroll positions.

Ms. Kolbe stated the Committee may wish to consider the following options:

1. Do not approve additional $204,749 in General Funds for a computer training room as requested by the Office of the State Controller, but not recommended in The Executive Budget.

2. Approve additional General Funds of $204,749 over the 2013-2015 biennium for a computer training room to be managed and maintained by the Office of the State Controller with availability to other state agencies.

Chair Carlton wondered whether anyone had any additional data on the effectiveness or indicators on the difference between online training versus face-to-face training. The Office only conducted training in person within the local Reno-Carson City area. The other training was done online. She wondered whether there were any evaluations on the effectiveness of online training for the employees and whether online was better than face-to-face. She wondered about the results of employees who completed online trainings. She needed information to understand the differences.

Ms. Wallin replied most of the state's fiscal staff was located in the Carson City-Reno area. There were few fiscal positions in the Las Vegas area. Providing online classes on the statewide Advantage accounting system was difficult for first-time users. Some new users did not even know how to use a keyboard. The training officer indicated the new training facility of the Office of the State Controller could be used for staff to complete their online classes. Staff was sometimes interrupted when working on an online class in agency offices. The training room would provide a solitary place to complete the online training classes.

Chair Carlton requested data on the differences between online and in-person training. She wondered whether the Office received evaluations after the training to determine where students learned the most information and where students needed more support.

Ms. Wallin replied there were some evaluation comments provided by students and cited the following examples: "Learning by being hands-on with the computer really helps me." "The hands-on exercises were helpful." "Being able to work one-on-one and the hands-on on the computer was helpful." "The online course was interrupted."

Ms. Wallin stated the online classes were designed for employees that had worked for the state for a while. The hands-on classes were for persons who had never worked for the state or worked on the statewide accounting system. The Advantage system was not something that was intuitive. It was not as easy to use as QuickBooks.

Assemblyman Kirner said it seemed that a training room was a statewide need. Many agencies asked for IT systems, and he recognized the associated need for training. But it seemed to him that the Office of the State Controller was the wrong place in state government for a training room. The training room should be controlled by the Division of Enterprise Information Technology Services (EITS), Department of Administration.

Ms. Wallin replied that she requested a training room because the Office of the State Controller used to have a statewide training room. In 2011 when the Department of Administration consolidated the personnel functions, information technology, purchasing, and public works, the statewide training room was eliminated. At that time the training room was managed by the personnel staff. The reason she requested a training room was it was not being requested by any other agency and was a statewide need.

Assemblyman Kirner said he appreciated her comments. But rather than making the appeal to the Committee, she should make the appeal to the Department of Administration. She should have made her case for whether this was needed or not because that was where it belonged.

Assemblyman Bobzien said he was sympathetic to Assemblyman Kirner's concerns about the optimal organizational structure for the training room. He was speaking as a former state employee who used to do a lot of training. One of the first requirements was the technology IT support and that was easy to provide. The training on the software, the context, content, and objectives was more difficult to provide. He hoped someone from the Office of the Governor was aware of and would put training on the list of problems to be addressed. The long-term plan for IT consolidation should include a training component. The Legislature should focus on professional development for state employees. He supported the proposal to create a training room with the understanding that the creation of a training unit in EITS was appropriate for the future.

> ASSEMBLYMAN BOBZIEN MOVED TO APPROVE ADDITIONAL GENERAL FUNDS OF $204,749 OVER THE 2013-2015 BIENNIUM FOR A COMPUTER TRAINING ROOM TO BE MANAGED AND MAINTAINED BY THE OFFICE OF THE STATE CONTROLLER WITH AVAILABILITY FOR OTHER STATE AGENCIES.
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> ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

Chair Carlton asked for discussion on the motion.

Assemblyman Anderson said he agreed that the training component was important for anyone using IT equipment. His concern was the same as Assemblyman Kirner's concern that the training room was in the wrong state agency. If the training room was located at the Office of the State Controller, it may or may not be available to other state agencies. The training room was an expensive proposal. There were private entities that could rent rooms to the state for less money. The state had the in-house expertise to train on the various programs. The state could rent private facilities or use existing state facilities. There was an LCB training room across the street, and there were other training rooms available. The state should consider more effective options rather than spending $204,749 plus the other ongoing expenses that would be involved. This request was not a one-shot appropriation. He thought the state should consider the ongoing costs. The state may wish to create a state training room rather than locating a training room in a single agency.

Assemblyman Bobzien said inherent in his motion was that the Office of the State Controller would make this facility open to all state agencies. This was not a training room for the staff of the Office of the State Controller to use. He did not want to see a number of workstations used for specialized training only. This proposal was considered because the Committee did not have a robust training proposal presented from EITS to move into the training environment. The EITS was making progress now and doing good things, but training seemed to be just over the horizon. He did not want to wait any longer when it came to making an investment in professional development.

Assemblywoman Kirkpatrick said this was not the first technology discussion that the Committee had this session, and the members knew there were many IT needs of the state for the future. She wondered whether there was a point where EITS could create a training unit, and this training room could be moved or incorporated into that program. She saw the initial cost but did not see the long-term maintenance costs. The ongoing maintenance costs were the reason that LCB did not offer up the LCB training room. It cost too much to replace all the hardware and software.

Assemblywoman Kirkpatrick wondered how the cost would be determined for state agencies to use the training room. She would prefer to replace the state training room that was eliminated. She wanted the Legislature to have a full discussion next session about IT training. She understood that state agencies needed training. It was amazing that many persons lacked IT training. Recently a five-year-old child approached her at the airport and showed her his new i-Pad with all his IT skills. She would agree to this training room proposal temporarily, but she was bothered that state agencies did not communicate well with other state agencies.

Assemblyman Eisen said he was thinking along the same lines as Assemblywoman Kirkpatrick. He was supportive of the training room proposal with the intent that in the 2015-2017 biennium, the training room may be transferred to EITS to be used as a statewide training facility. The EITS was not ready to develop its statewide training facility now. Hopefully, EITS would be ready in two years to take over the management of the training room. He saw this as an immediate need for the Office of the State Controller.

Assemblyman Anderson said the Committee was compounding the problem by allowing the agency to create a training room of its own. He had seen this occur in the past, and legislators complained that the agencies did not work together through EITS to accomplish central goals. The Committee was attempting to approve a separate training room, but the state already had the training resources at LCB and in other buildings. He believed the existing buildings and training facilities could accommodate the training that was needed. He did not see a need to have a separate facility with personal computers located at the Office of the State Controller. This proposal would result in the same situation the state had with the other IT equipment. The IT equipment would be located in the Office of the State Controller and remain unused most of the time. The Legislature would have to ensure that this was a state facility and not a training facility used only by the Office of the State Controller.

Assemblyman Bobzien believed there were some significant statements of intent by those who would be supporting the motion. Assemblyman Bobzien revised his original motion to include some additional items.

> ASSEMBLYMAN BOBZIEN MOVED TO APPROVE ADDITIONAL GENERAL FUNDS OF $204,749 OVER THE 2013-2015 BIENNIUM FOR A COMPUTER TRAINING ROOM TO BE MANAGED AND MAINTAINED BY THE OFFICE OF THE STATE CONTROLLER WITH AVAILABILITY TO OTHER STATE AGENCIES AND TO ISSUE A LETTER OF INTENT REQUESTING INFORMATION FROM THE OFFICE OF THE STATE CONTROLLER ON THE USE OF THE TRAINING ROOM INCLUDING ITS USE BY OTHER DEPARTMENTS. THE REPORT MUST INCLUDE DATA ON THE TRAINING SESSIONS PROVIDED BY THE OFFICE OF THE STATE CONTROLLER AND THE PLAN IN CONSULTATION WITH THE DIVISION OF ENTERPRISE INFORMATION TECHNOLOGY SERVICES, DEPARTMENT OF ADMINISTRATION, FOR THE TRANSFER OF THE ADMINISTRATION OF THE TRAINING ROOM TO THE DIVISION OF ENTERPRISE INFORMATION TECHNOLOGY SERVICES IN THE 2015-2017 BIENNIUM.
>
> ASSEMBLYMAN ANDERSON SECONDED THE REVISED MOTION.

Assemblyman Hardy said he wondered whether this was a matter that could be held for several days. He thought maybe the Office of the State Controller could hold discussions with other agencies to consolidate the matter.

Chair Carlton said she preferred not to hold this item. The Committee had held several other items and needed to resolve this item. There were several matters that would be coming before the Committee next week that must be held, so she preferred to make a decision on this now.

Assemblyman Aizley was pleased there was a discussion about the validity of centralizing information technology. He thought the Legislature had been considering IT centralization, but he was unsure it was the best solution. Information technology involved hardware and software. He believed having one person manage the entire IT system would not work in the future.

Chair Carlton called for the vote on the motion.

> THE MOTION CARRIED. (Assemblymen Anderson, Grady, Hambrick, Hardy, Hickey, and Kirner voted no.)

Ms. Kolbe said BA 1130 contained ten other closing items. Most of the items involved IT requests. She pointed out that Fiscal Analysis Division staff made technical adjustments to funds for three desktop computers assuming approximately 12 percent of the computers that would be replaced would be used in the Debt Collection Unit. The adjustment would result in Debt Recovery Account transfers of $3,420 in FY 2014 and General Fund savings of $3,420. With the adjustment in funding for three desktop computers, the decision units appeared reasonable.

Ms. Kolbe explained that Fiscal Analysis Division staff made technical adjustments for salary, operating costs, and equipment costs related to the assistant controller position to reflect debt collection efforts of 85 percent. Expenditures related to the assistant controller position had been isolated in a new category to promote transparency and tracking. Combined with the other technical adjustments, the result was a net General Fund savings of $5,531 over the 2013-2015 biennium, as reflected on page 22 of Exhibit C.

Ms. Kolbe said Fiscal Analysis Division staff recommended the other closing items in this account be approved as recommended by the Governor, with technical adjustments as noted.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE THE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1130 AS RECOMMENDED BY THE GOVERNOR, INCLUDING TECHNICAL ADJUSTMENTS MADE BY THE FISCAL ANALYSIS DIVISION STAFF.
>
> ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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Chair Carlton said the other two items listed on page 22 of Exhibit C were informational only and did not require any action by the Committee.

ELECTED OFFICIALS
CONTROLLER'S OFFICE
DEBT RECOVERY ACCOUNT (101-1140)
BUDGET PAGE ELECTED-245

Kristen Kolbe, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau testified that the closing items would be adjusted in the Debt Recovery Account budget account (BA) 1140 based on the changes made in the Controller's Office (BA 1130). There were no major closing issues in Debt Recovery Account (BA 1140). In addition to the recommended transfer of funds from the Debt Recovery Account (BA 1140) to Controller's Office (BA 1130) for the assistant controller position, the Fiscal Analysis Division staff considered applying additional funding transfers from the Debt Recovery Account (BA 1140) to other costs related to debt collection efforts, including salary and benefits for the existing five positions, general operating costs, and equipment purchases of the Debt Collections Unit. However, based on the limited history of the Debt Recovery Account, limited funding transfers were reflected in Exhibit C. Fiscal Analysis Division staff did not include additional transfers for consideration by the Committee. The Committee may wish to review funding transfers from the Debt Recovery Account (BA 1140) to the Controller's Office (BA 1130) to fund staff, general operating costs, and equipment purchases related to debt collection efforts in future biennia.

Ms. Kolbe said the Fiscal Analysis Division staff adjusted funding for three computers and one scanner for the Debt Collections Unit, adjusted salary, operating costs, and equipment costs related to the assistant controller position to reflect debt collection efforts of 85 percent, and eliminated maintenance contract costs. The Fiscal Analysis Division staff sought authority to make adjustments to this account that may be necessary based on the closing actions of the Controller's Office (BA 1130), including technical adjustments.

ASSEMBLYMAN EISEN MOVED TO APPROVE BUDGET ACCOUNT 1140 AS RECOMMENDED BY THE GOVERNOR AND AUTHORIZE

THE FISCAL ANALYSIS DIVISION STAFF TO MAKE ADJUSTMENTS THAT MAY BE NECESSARY BASED ON THE CLOSING ACTIONS OF THE CONTROLLER'S OFFICE BUDGET ACCOUNT 1130 AND TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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Chair Carlton opened the hearing on Assembly Bill 490.

Assembly Bill 490: Makes an appropriation to Communities in Schools of Nevada, Inc. to coordinate the provision of student and family services to youth in this State. (BDR S-533)

Beth Rubins, MSW, Grant and Program Support Director, Communities in Schools of Nevada, Inc., testified that the presentation on Assembly Bill 490 would be made by Susie Lee, President, Board of Directors, Communities in Schools of Nevada, Inc.

Susie Lee, President, Board of Directors, Communities in Schools of Nevada, Inc. testified that she appreciated the opportunity to provide data on Communities in Schools (CIS) of Nevada, Inc. and presented Exhibit D, "Presentation to the Nevada Assembly Ways & Means Committee." She said CIS provided services based on a simple core belief that relationships, not programs, changed children. She provided an explanation of the need for services provided by CIS, which was considered the nation's leading dropout prevention program. The CIS had grown because it received state funding in 2007, and the investment in CIS was a smart economic development decision for this state.

Ms. Lee referred to slide 2 on page 1 of Exhibit D, and said over one-half of the students in Nevada lived in poverty, as measured by qualifying for the free and reduced-price-lunch program. A child born into poverty was six times more likely to drop out of school than his or her peer who was not at the poverty level. Many of these students routinely faced extraordinary daily challenges: they came to school hungry and depended on school as the backbone of their daily nutrition; they confronted serious neighborhood violence and depended on school for their physical and emotional safety; many had witnessed their parents or siblings being incarcerated and depended on caring adults at school to serve as proxy parents; and an increasing number of children shuttled between homes of relatives and/or friends to sleep at night and depended on school for a shower and clean clothes.

Ms. Lee explained that CIS realized that unless an agency could work with students to address and overcome these traumas, then the students were fundamentally compromised as learners and fundamentally barred from realizing the "American dream." These children became dropout statistics and were a net economic loss for the state. Nevada taxpayers were called upon to support the students' income, healthcare, and sometimes incarceration in their adult lives. With community collaboration between schools, the site coordinators at CIS, governmental agencies, and community partners, CIS converted schools to "home environments" that anchored students, nurturing them academically, physically, socially, and emotionally.

Ms. Lee continued noting that CIS provided integrated student services at each school site that was managed by qualified and trained site coordinators. These coordinators operated under the motto to do "whatever it took" to keep children in school and on track to graduation, whether it was handing out a snack or clothing, finding healthcare, or helping a pregnant teen find the support services needed to stay in school during and after her pregnancy. The agency provided Level 1 services that were available to all school children, whether it was the resource centers or antibullying campaigns or any type of problem that the school encountered. The agency also provided case management services that were considered to be Level 2 services.

Ms. Lee stated that currently CIS served 26,000 students in 40 schools in Elko and Clark Counties. In 2007, the State of Nevada supported the work of CIS with $709,000 in funding. At that time CIS did not have comprehensive school sites. Instead, CIS had developing sites that just provided certain services at each school. The CIS had raised more than $7 million in private funding to support its work and growth. In addition, CIS secured commitments of close to $7 million to support its work through 2016.

Ms. Lee relayed that Elaine Wynn, Chairman, National Board of Directors, Communities in Schools, testified that she was proud that CIS had a simple model that achieved consistent, impressive results. The CIS students showed up at school more regularly, and over seven out of ten students improved their attendance by ten days. The students behaved better, and nine out of ten got fewer detentions or suspensions and showed decreased risky behavior. Ultimately students improved their classroom performance, their grades, and earned credits needed to graduate. Nine out of ten high school seniors who received CIS case-management services received a diploma.

Ms. Lee commented that CIS focused on coordinating existing community resources by working with over 90 partners in Clark and Elko Counties and eliminating duplication. In addition, CIS had been the incubator for many initiatives that existed in schools to remove barriers to success for children, including in-school resource centers; weekend food backpack programs; CIS Academy; medical and dental programs; and the Little Red Caboose Preschool in Carlin.

Ms. Lee added that because more than 200,000 children in this state could use the resources that CIS bought to them, CIS needed to reach out to governmental agencies, private investors, and private philanthropists for support. Recently, a national 5-year independent evaluation of CIS was completed. The results showed that CIS was the most effective full-scale, national program that improved dropout rates and on-time graduation rates. When the CIS model was implemented with fidelity, these effects were doubled in magnitude, and the model was effective across states; school settings, whether urban or rural; grade levels; and student ethnicities.

Ms. Lee explained that the results equated to a true financial return. In May 2012 CIS released the results of an economic impact study conducted by Examination Management Services, Inc. (EMSI), one of the nation's leading economic modeling firms. Every $1 invested in CIS created $11.60 of economic benefit for the community. Other states had recognized the value of CIS and dedicated state funds to support CIS services.

Ms. Lee stated that as the principal fundraiser of private funding, she took comfort in the fact that CIS was evidence-based, had benefitted from the development of best practices for over 30 years, and was supported by a strong national office that ensured all programs were operated with the finest quality controls. Because of that, she was confident when asking private investors for support, that CIS would be able to use that investment to provide the best outcome for children.

Ms. Lee added that A.B. 490 asked for an investment in CIS of $250,000 per year for two years, which was in line with national trends of state investments. The CIS would leverage that funding with over $2.1 million in private commitments that were already secured, and CIS would report to the Legislature on the use of funds. She was proud to say that, although not required by A.B. 490, CIS would also report the success factors to the Committee, as shown on page 4 of Exhibit D.

In response to a question from Assemblyman Sprinkle, Ms. Lee replied that CIS fundraising was dedicated to program services in Elko and Clark Counties. The CIS had a state office that performed the human resources services, training, and financial reporting. The funding helped CIS build capacity. The CIS served 40 schools in the state, and there was a need for the services that CIS provided.

In response to a question from Assemblyman Kirner, Ms. Lee replied that the Governor had not allocated any money to CIS, but A.B. 490 was a request for an appropriation.

In response to a question from Assemblyman Hardy, Ms. Lee replied that the difference between what CIS provided and what other organizations provided was that CIS hired, trained, and supported site coordinators located on school campuses. The Parent Teacher Association (PTA) was an organization of parents who provided some of the same services as well. The CIS was the point agency that coordinated community resources at the school site. The agency looked at the needs of the school as a whole, and connected students who required more intensive intervention to resources.

Assemblyman Hardy said CIS seemed like a duplication of existing efforts.

Ms. Lee said CIS basically coordinated services of other agencies. She cited an example of the Goodie Two Shoes Foundation, which was an organization that provided shoes to children. The CIS partnered with Goodie Two Shoes to provide shoes to children that needed shoes or would partner with a dental program to provide services. The CIS provided the relationship and intensive case management for those students who needed services at the school site.

Chair Carlton said that she visited a couple of schools and met with persons who coordinated with the PTA and other groups that supported schools. Some were businesses that provided needed supplies to children such as the correct backpacks. Different schools had different needs. It was helpful to have one person on site who understood the school, the parents, the children, and the specific problems. In some areas, homelessness was the problem, in other areas it was hunger. The problems varied and depended on what the neighborhood was going through at the time. It was helpful to have someone who could professionally analyze the situation and coordinate solutions at the school.

Ms. Lee added that parental involvement was not high in many of the schools that CIS served. The CIS had received support letters from school principals, who allowed CIS to connect to the parents who then became more involved with the school as a result of what CIS was able to do for the parents.

In response to a question from Assemblyman Horne, Ms. Lee replied that CIS only served Elko and Clark Counties but was open to expansion. The long-term strategic plan was for CIS to move into other counties, particularly Washoe County. The CIS needed funding and community support before it could establish a site in a county because sites required resources.

In response to a question from Assemblyman Horne, Ms. Lee replied that CIS served 21,500 students in Clark County and 4,500 students in Elko County. The CIS served 12 schools in Clark County comprehensively and 4 schools in Elko County. Ms. Lee said the goal of CIS was to use the state funding of $500,000 to expand services in Clark and Elko Counties.

In response to a question from Assemblyman Anderson, Ms. Lee replied that CIS received state funding in 2007 and received some funding from Nevadaworks in Elko County to support the Elko services. The majority of the funding for CIS had been from private sources since 2007. Ms. Lee had preliminary conversations with persons involved in education advocacy work about expansion to other counties. It would be necessary for CIS to meet with the school district superintendents to coordinate services for other counties.

In response to a question from Assemblyman Sprinkle, Ms. Lee replied that the state funding helped CIS to leverage the private funds. Currently, 25 states were actively participating in CIS.

In response to a question from Assemblyman Grady, Ms. Lee replied that CIS provided services in the Elko urban area and in the Spring Creek area.

Beth Rubins, MSW, Grant and Program Support Director, Communities in Schools of Nevada, Inc., replied that CIS served all areas of Elko County and had four comprehensive sites as well as 13 developing sites, which included West Wendover. Elko County needed the hunger prevention program to provide weekend backpacks of food, and partner with other organizations to provide emergency food to the needy. Elko County did not have a comprehensive model that was as consistent as the Clark County model. The CIS served four schools comprehensively but had many special projects. The CIS served a significant population of students that would otherwise be unable to receive services.

Joyce Haldeman, Associate Superintendent, Community, and Government Relations, Clark County School District, testified in support of A.B. 490.

The CIS was an excellent community partner for the Clark County School District (CCSD). A number of the schools that were served were located in Clark County, but more CCSD schools had unmet needs. One of the reasons she appreciated CIS was that CIS concentrated on the same core mission as CCSD, which was to ensure that students graduate from school. The CIS brought an army of resources to the schools that were targeted at children who were the most at-risk. The CIS worked with at-risk children on a comprehensive case-by-case basis, which made a difference in the graduation rate and the ability of the students to receive the services that were needed.

Ms. Haldeman continued that many times educators felt there were many other duties that were assigned to them. Educators had big hearts and really cared about the students, and the comprehensive sites were helpful to the educators. The CIS team on-site worked specifically with children whose social lives were difficult and had serious needs through no fault of their own. The CIS provided a caring and informed adult who could help the children receive the needed services, and the educators could concentrate on teaching the students core matter. The CCSD was a strong supporter of the CIS mission, which had good success. The CIS worked carefully with the District to ensure CIS went to the schools where it was needed the most. The CIS supported the curriculum of CCSD. The CIS worked closely with the students to ensure the students received the services that were needed. Schools needed as much funding as they could get. The CCSD recognized that the funding to support CIS was one-shot funding that was not available to the Distributive School Account, and that was one of the reasons the CCSD was supportive of CIS.

In response to a question from Assemblyman Eisen, Ms. Haldeman replied she was unsure what it would cost CCSD to provide the services that CIS provided. In the schools where no CIS services were provided, it was most likely that the services would not be provided by CCSD and the child would most likely drop out of school.

Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas, testified she was a partner with Clark County School District (CCSD) in the reading skills development consortium and the English language learner (ELL) training and ELL improvement. She thought it was important to support CIS because CCSD was thinly staffed in the area of social services. Many of the problems that the youth encountered in trying to graduate from school were of a social nature. Children needed to have an adult present who could provide professional support. The problem was coordinating the resources that were already available in the community to ensure the resources reached the persons that needed services the most. She said CIS was an exemplary organization that leveraged private money. The state cannot solve these problems by itself. It was important to support the partnerships with donors and help donors recognize that their efforts were appreciated. The state should recognize that there was a reason to be a coinvestor in this worthy philanthropy. The state would be wise to provide this modest support because of the substantial returns. She asked the Committee to provide CIS a healthy amount of state funds to continue its good work.

Hearing no response to her request for further testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she closed the hearing on A.B. 490 and returned to the budget closings portion of the meeting.

ELECTED OFFICIALS
SECRETARY OF STATE (101-1050)
BUDGET PAGE ELECTED-146

Mark Winebarger, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau testified budget account (BA) 1050 included decision units Enhancement (E) 900 through E-909 that transferred the state business portal activity to the Secretary of State budget account 1050. During the 76th Session (2011), to facilitate a more accurate picture of expenses related to the operation of the state business portal, the Office of the Secretary of State proposed that state business portal expenses be reported in a new budget account. The Legislature approved the proposal and created BA 1058 (State Business Portal).

Mr. Winebarger explained that the Office of the Secretary of State (SoS) testified the move would result in improved funding efficiencies in general operating categories, accounting functionality, and program efficiencies. The Office also indicated specific state business portal costs could be distinguished from other costs by the use of job numbers within the state's accounting system. Although job numbers were an effective way to track expenditures, unless the expenditure authority was approved separately at the category level, the Legislature could not control the amount of funds spent on state business portal activity, nor could the amount of funds spent on the state business portal be easily distinguished from regular SoS operating costs. Furthermore, Fiscal Analysis Division staff noted that the separation of the state business portal into a separate account was done for transparency purposes at the request of the SoS. It appeared to Fiscal Analysis Division staff that the main impetus for combining the two accounts was to make fiscal management easier for the SoS staff. However, if maintaining transparency was desired, then establishing a separate expenditure category for the state business portal or a separate state business portal budget account was preferable.

Mr. Winebarger said the Committee may wish to consider the following options:

> A) Approve the Governor's recommendation to eliminate the state business portal budget account and report state business portal activity in the Office of the Secretary of State's operating budget account; or
>
> B) Approve the Governor's recommendation to eliminate the state business portal budget account and report state business portal activity in the Office of the Secretary of State's operating budget account, but separate state business portal expenditures into a special state business portal category within the Secretary of State's main operating budget account; or
>
> C) Disapprove the Governor's recommendation and maintain separate budget accounts for state business portal activity and the Office of the Secretary of State's other operating activities.

Chair Carlton stated she was more comfortable with option B because it would complete the adjustment, but the Legislature would still be able to understand where the dollars were located. She asked for the comments from the Committee.

In response to a question from Assemblyman Hardy, Mr. Winebarger replied that option B would require no additional staff or work for existing staff.

> ASSEMBLYMAN EISEN MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE THE STATE BUSINESS PORTAL BUDGET ACCOUNT (BA 1058) AND REPORT STATE BUSINESS PORTAL ACTIVITY IN THE OFFICE OF THE SECRETARY OF STATE'S OPERATING BUDGET ACCOUNT (BA 1050) BUT SEPARATE STATE BUSINESS PORTAL EXPENDITURES INTO A SPECIAL STATE BUSINESS PORTAL CATEGORY IN THE OFFICE OF THE SECRETARY OF STATE'S MAIN OPERATING BUDGET ACCOUNT 1050.
>
> ASSEMBLYWOMAN FLORES SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblymen Hambrick and Horne were not present for the vote.)

Mr. Winebarger stated that the Governor recommended General Fund appropriations of $560,000 over the 2013-2015 biennium in decision units E-232 and E-233 for contract information technology (IT) support services to assist state IT staff with election-related systems and general information technology support

Mr. Winebarger explained that although the Office had 19 authorized IT positions, it indicated contracting with technology experts for specific needs rather than increasing the number of staff dedicated to general IT services was a better use of resources. At a recommended rate of $110 per hour, the Office would receive approximately 5,091 hours of IT contract time over the biennium. The concept of contracting for specific services from IT vendors with specialized knowledge appeared to be reasonable to Fiscal Analysis Division staff.

Mr. Winebarger asked whether the Committee wished to approve the recommendation to contract for IT support services to assist existing staff with election-related systems in decision unit E-232. He also asked whether the Committee wished to approve the recommendation to contract for IT support services to assist existing staff with upgrades and maintenance in decision unit E-233.

ASSEMBLYMAN KIRNER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNITS ENHANCEMENT 232 AND 233 TO CONTRACT FOR INFORMATION TECHNOLOGY SUPPORT SERVICES TO ASSIST EXISTING STAFF WITH UPGRADES AND MAINTENANCE.

ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Horne was not present for the vote.)

Mr. Winebarger stated that the Governor recommended General Fund appropriations of $360,000 over the 2013-2015 biennium for expected increases in credit card processing fees in decision unit E-225. Based on fiscal year (FY) 2013 year-to-date credit card processing fees paid by the Office, Fiscal Analysis Division staff projected the SoS FY 2013 expenditures would total approximately $1.8 million. Actual credit card fees for FY 2012 totaled $1.7 million. It appeared to Fiscal Analysis Division staff the increase in credit card fees recommended in decision unit E-225 was reasonable.

Mr. Winebarger explained that in November 2012, the United States District Court for the Eastern District of New York preliminarily approved a proposed settlement agreement for *In re Payment Card Interchange Fee and Merchant Discount Antitrust Litigation,* No. 05-MD-1720-JG-JO. The settlement allowed the states and vendors to assess a surcharge on credit card transactions. *Nevada Revised Statutes* 353.1465 allowed agencies to charge a fee for the acceptance of a credit card, but an agency must not collect more than it was charged by the companies during a fiscal year. Although Visa and MasterCard rates varied by card, rates ranged from 1.73 percent on traditional credit cards up to 2.63 percent on commercial credit cards. Based on the Governor's recommended budget for credit card fees of $1.9 million each year, and if the Office of the Secretary of State's average credit card fee rate was 2.25 percent, the SoS could recoup approximately $850,000 in General Funds each year by assessing a 1 percent surcharge on each credit card transaction.

Mr. Winebarger said that the SoS recently indicated that it had explored the use of convenience fees as a source of additional revenue but concluded that charging additional discount fees may discourage the use of online filing. The online filing was the Office's preferred transaction method and was a service it had spent considerable resources promoting. Additionally, according to the Office some customers stated that convenience fees carry a pejorative connotation of "nickel-and-dime" revenue generation, which may hurt Nevada's reputation as a premier, business friendly filing jurisdiction. Therefore, the SoS determined that imposing credit card convenience fees was not in the best interest of the Office. Mr. Winebarger asked whether the Committee wished to approve the recommendation in decision unit E-225 to increase General Fund appropriations by $360,000 over the 2013-2015 biennium for credit card processing fees.

In response to a question from Chair Carlton, Ross Miller, Secretary of State, Office of the Secretary of State testified that he would implement whatever policy the Legislature directed for the Office. The Office looked at credit card convenience fees in 2009 as a way to offset some of the credit card fees that the Office paid. He looked at the matter more broadly to try and generate some additional revenue to offset some of the budget cuts that the state faced, and he determined about 68 percent of the filings were now completed online. Online filings provided a convenience for the customer and allowed the SoS to reduce staff. The SoS went to some of its biggest clients and asked for their response to a modest convenience fee. The clients suggested that in lieu of tacking on those fees, the Office may be able to more responsibly raise additional revenue by increasing fees in other areas of the Office. The SoS increased fees in other areas, and raised a substantial amount of revenue that could be used to fund education or offset the cuts from 2009.

Chair Carlton appreciated the actions of the Secretary of State. She held several meetings with constituents, who were surprised at the amount of money that the state paid to MasterCard and Visa for the convenience of the constituents being able to use their credit cards. She believed the constituents understood this was a significant amount of dollars. She thought the Committee should address the amount of money paid to MasterCard and Visa.

In response to a question from Assemblyman Hickey, Mr. Miller replied the fee to renew an annual listing was $125 for the limited liability company renewal and $200 for the state business license. If that amount was charged to a credit card, the state absorbed the cost of the credit card fees. The state would pay a percentage to the credit card company on that $325 fee. The state would add an additional 1 percent of the $325 transaction to help offset the fees that were charged by the credit card company. The customer would see an additional line item showing that the $325 would increase by 1 percent to $328.25. It was more efficient for the state to allow these transactions to occur online and have them processed via credit card. The concern he had was the addition of a 1 percent fee may cause some major clients to shift to a paper-based filing. The maximum fee for corporations was $11,000. Businesses may opt to use a paper filing to save some money. Mr. Miller wanted to ensure there was a cost-benefit that worked out in favor of the SoS.

In response to a question from Assemblyman Kirner, Mr. Miller replied adding a discount for persons using credit cards probably would not increase the use of credit cards. Most persons opted to use the online service because it was immediate and easy. Persons were more accustomed to doing business online. Some other states charged additional fees for a paper filing for transactions in the private sector. Electronic filings were not charged additional fees. A fee was assessed for seeking advice from an office employee in other states.

In response to a question from Assemblyman Aizley, Mr. Miller replied that no discount was offered for those persons who paid the fees in cash. The perception of credit card fees could change. When credit card fees became more common, it may not be as difficult for persons to accept paying the additional 1 percent fee for the use of credit cards. The public may understand that credit card fees were passed on to the consumer. When that occurred, many of Mr. Miller's concern about the pejorative term of clients who were nickel-and-dimed could be alleviated by the public perception.

ASSEMBLYMAN KIRNER MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT ENHANCEMENT 225 TO INCREASE GENERAL FUND APPROPRIATIONS BY $360,000 OVER THE 2013-2015 BIENNIUM FOR CREDIT CARD PROCESSING FEES.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

THE MOTION CARRIED. (Chair Carlton and Assemblyman Aizley voted no. Assemblyman Horne was not present for the vote.)

Mr. Winebarger explained that the Governor recommended $25,000 in decision unit E-228 for a remodel of the lobby of the Office of the Secretary of State in the Grant Sawyer State Office Building in Las Vegas. The Office provided a quote from the State Public Works Division (SPWD), Department of Administration dated March 7, 2012, which estimated the cost of the remodel at approximately $12,000. The Governor recommended an additional General Fund appropriation of approximately $13,000 to cover such costs as furniture moving, reinstalling or reconfiguring workstations, carpeting, and other repairs. The SoS did not provide quotes or other information to support these additional costs. As a result, it did not appear that the additional $13,000 was tied to any specific expenditure, and Fiscal Analysis Division staff suggested it could be removed from this enhancement. However, because the remodel quote provided by SPWD would be over one year old when work began, Fiscal Analysis Division staff believed it was reasonable to add a 10 percent contingency increase of $1,193 for possible cost overruns.

Mr. Winebarger said the Committee may to consider the following options with respect to decision unit E-228:

1. Approve the Governor's recommendation to increase General Fund appropriations by $25,000 in FY 2014 for the remodel of the Office of the Secretary of State's lobby in the Grant Sawyer State Office Building; or

2. Modify the Governor's recommendation and approve General Fund appropriations of $13,121, adding $1,193 in contingency costs to the $11,928 quote provided by the SPWD; or

3. Disapprove the Governor's recommendation.

ASSEMBLYMAN EISEN MOVED TO MODIFY THE GOVERNOR'S RECOMMENDATION AND APPROVE GENERAL FUND APPROPRIATIONS OF $13,121, ADDING $1,193 IN CONTINGENCY COSTS TO THE $11,928 QUOTE PROVIDED BY THE STATE PUBLIC WORKS DIVISION, DEPARTMENT OF ADMINISTRATION.

ASSEMBLYMAN HORNE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Winebarger stated that the Governor recommended a General Fund appropriation of $10,000 in FY 2014 to remodel office space used by information technology (IT) staff in the Blasdel Building in Carson City. The Office of the Secretary of State indicated the current layout was inadequately configured to fully support workspace requirements and equipment. The remodel included removing and rebuilding walls and modifying the fire and electrical systems. The SPWD estimated the cost of materials, engineering, labor, and inspections at $5,299 in a quote dated December 13, 2011. The SoS added $4,701 to cover such costs as furniture moving and reinstalling or reconfiguring workstations. The Office did not provide quotes or other evidence to support these additional costs, and Fiscal Analysis Division staff suggested that $4,701 could be removed from this enhancement. However, because the remodel quote provided by SPWD would be nearly 2 years old when work began, Fiscal Analysis Division staff believed it was reasonable to add an approximate 15 percent contingency increase of $795 for possible cost overruns.

Mr. Winebarger said the Committee may wish to consider the following options with respect to decision unit E-229:

1. Approve the Governor's recommendation to increase General Fund appropriations by $10,000 in FY 2014 for the remodel of the Office of the Secretary of State's information technology office in the Blasdel Building; or

2. Modify the Governor's recommendation and approve General Fund appropriations of $6,094, adding $795 in contingency costs to the $5,299 quote provided by the SPWD; or

3. Disapprove the Governor's recommendation.

ASSEMBLYMAN EISEN MOVED TO MODIFY THE GOVERNOR'S RECOMMENDATION AND APPROVE GENERAL FUND APPROPRIATIONS OF $6,094, ADDING $795 IN CONTINGENCY COSTS TO THE $5,299 QUOTE PROVIDED BY THE STATE PUBLIC WORKS DIVISION, DEPARTMENT OF ADMINISTRATION.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Winebarger explained the other closing items included decision unit E-226. The Governor recommended General Fund appropriations of $16,000 over the 2013-2015 biennium for out-of-state travel for the Office of the Secretary of State's staff. The Office indicated the basic cost of travel, including airfare, ground transportation, and hotels had increased, but did not provide a schedule of details as requested of how this $16,000 was determined or where the travel would occur. He noted that $11,241 was included in the base budget for out-of-state travel, and $12,894 was included for training. Although the Office had not provided a travel plan for the recommended $8,000 per year, Fiscal Analysis Division staff believed it was reasonable to add $4,000 per year in travel costs to the training category, because the SoS did not request travel funds in decision unit E-231, which would be addressed in another closing item. Fiscal Analysis Division staff recommended modifying the Governor's recommendation to approve General Fund appropriations of $4,000 each fiscal year to be placed in the training category.

Mr. Winebarger explained the other closing items recommended by the Governor appeared reasonable to Fiscal Analysis Division staff. He said except for the other closing item 1 in decision unit E-226, Fiscal Analysis Division staff recommended approval of all other closing items as recommended by the Governor and requested authority to make technical adjustments.

ASSEMBLYMAN HAMBRICK MOVED TO MODIFY THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT ENHANCEMENT 226 AND APPROVE GENERAL FUND APPROPRIATIONS OF $4,000 IN EACH FISCAL YEAR TO BE PLACED IN THE TRAINING CATEGORY, TO APPROVE ALL OTHER CLOSING ITEMS AS RECOMMENDED BY THE GOVERNOR, AND TO AUTHORIZE THE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN FLORES SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

ELECTED OFFICIALS
SECRETARY OF STATE
HAVA ELECTION REFORM (101-1051)
BUDGET PAGE ELECTED-159

Mark Winebarger, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau testified that budget account (BA) 1051 had no major closing issues. In decision unit Enhancement (E) 227, the Governor recommended federal Title I reserves of $103,000 over the 2013-2105 biennium to expand data-sharing agreements with the Department of Motor Vehicles as requested by federal election law and for the administration of the statewide voter registration. Included in E-227 was $50,000 each year for fees payable to the Electronic Registration Information Center, Inc. (ERIC). The ERIC was a nonprofit organization with the sole mission of assisting states to improve the accuracy of America's voter rolls and increase access to voter registration for all eligible citizens. The ERIC was governed and managed by states that chose to join and was formed in 2012 with assistance from The Pew Charitable Trusts. Nevada was one of seven states that pioneered the formation of ERIC. Although the Office of the Secretary of State had stated the annual dues in the upcoming biennium were unknown, the best estimate was $50,000 per year. This recommendation appeared reasonable to Fiscal Analysis Division staff.

ASSEMBLYWOMAN FLORES MOVED TO APPROVE BUDGET ACCOUNT 1051 AS RECOMMENDED BY THE GOVERNOR AND TO AUTHORIZE THE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN EISEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

ELECTED OFFICIALS
SECRETARY OF STATE
STATE BUSINESS PORTAL (101-1058)
BUDGET PAGE ELECTED-164

Mark Winebarger, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau explained budget account (BA) 1058 funded the state business portal. There were two major closing issues in BA 1058. In Secretary of State BA 1050, the Committee approved combining BA 1058 into BA 1050, therefore these decision units Enhancement (E) 900 through E-909 must be approved to move the funding into BA 1050.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO APPROVE DECISION UNITS ENHANCEMENT 900 THROUGH 909 AS RECOMMENDED BY THE GOVERNOR TO MOVE THE FUNDING TO SECRETARY OF STATE BUDGET ACCOUNT 1050.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Winebarger explained that the Governor recommended General Fund appropriations of $354,746 over the 2013-2015 biennium in decision unit E-225 for the state business portal disaster recovery planning and implementation. The Office of the Secretary of State (SoS) indicated that the portal architecture must provide business continuity in the event of a critical outage to allow the portal operations to continue. According to the Office, the disaster recovery plan would ensure the continued operation of portal transactions and prevent data loss of common business registration (CBR) information. The portal was the only system collecting and sharing CBR information with other agencies. It was estimated that data sharing by a third party would cost approximately $5,000 per user annually if not provided by the portal.

Mr. Winebarger explained that the Office stated decision unit E-225 was intended to provide a mirrored, operational, and seamless state business portal environment at an offsite contracted vendor's site of Western States Contracting Alliance (WSCA). It appeared to Fiscal Analysis Division staff that the SoS's goal was to protect the data and ensure its continuous availability. However, because the data was backed up daily, the loss of data should not be a problem. The SoS had not provided an estimated value of the portal's availability in the likelihood of an event that would cause the system and data to be unavailable. If the system was unavailable for a short period of time, that cost to the state or its local governmental partners should be estimated by the SoS.

Mr. Winebarger asked whether the Committee wished to approve decision unit E-225 and increase the General Fund appropriation by $354,746 over the 2013-2015 biennium to maintain a disaster recovery solution for the state business portal.

In response to a question from Chair Carlton, Mr. Winebarger confirmed the term "prevent data loss" referred to access to the data that was backed up daily. He said the disaster recovery plan would allow access to the data continuously in case of a system outage in Carson City. This disaster recovery solution did not deal with individual transactions but referred to the data access.

Assemblyman Anderson added that disaster recovery and business continuity were two different concepts. Typically, there was considerable hardware and software that coincided with those two functions. Disaster recovery was defined as a systemwide outage during which the agency needed to recover data from an offsite location. Business continuity was duplicative hardware and software so if there was a system outage, the public would not notice. The system would remain operational in some duplicative fashion offsite, and replication software and duplicative hardware existed in different locations.

Assemblyman Eisen asked about the distinction between protecting the data and maintaining the availability of the system. He wondered what the priority was of maintaining the operation of the system on a 24/7 basis. He recognized the necessity of protecting the data. He needed to understand what the cost benefit was of having a mirrored system so it would protect the system from outage.

Karen Michael, Business Portal Administrator, Office of the Secretary of State, replied staff designed a traditional disaster recovery system. All state applications were put into a queue. If an outage occurred in Carson City, there would be a rebuild available for the application somewhere else such as Las Vegas. The SoS staff studied new advances in the information technology industry for business continuity and high distributed availability. If an outage occurred in the Carson City facility, the SilverFlume could be accessed on another server. Remote access required some software and other replication solutions. The SoS staff intended to create a transactional portal pop-up solution. The cost of the solution offered by third-party vendors was about $5,000 per seat for equivalent data to the common business registrations (CBR). The Office had 90 government users with access to run the

CBR. The Office believed that no matter what occurred at the Carson City facility, users should be able to log in and file their common business registrations, and governmental agencies should be able to pull CBR reports.

Assemblyman Eisen asked how many registrations were received on a daily basis, how many outages had occurred, and how long had those outages lasted.

Ms. Michael replied over the last two months the Office experienced about 15 to 20 outages of the entire state network when a variety of sites including SilverFlume were unavailable. The Office's IT tool recorded that the outages lasted anywhere from one minute to one or more hours. The SoS wanted to make outages as invisible as possible to the customer. A catastrophic outage could last several weeks. The goal was to make the outage opaque to the business customer and keep SilverFlume operational to receive the business transactions. The Office had about 10,000 businesses that had logged common business registrations and received a couple of hundred new or renewal registrations each month. The total universe of users for the SoS's commercial recordings office could be about 300,000 businesses.

Assemblyman Anderson commented that the state was not a business generating revenue to cover its costs and had different concerns. The state did not operate on a 24/7 cycle where it would lose revenue when the data system was not operational. Eventually the state's customers would return to pay their fees even when SilverFlume was down. He suggested the Committee compare the cost of disaster recovery to a continuity system. When a system failed, the state had significant costs to resolve the emergency situation. The SoS may pull staff from other systems and projects to get the system operational. There may be an immediate cost for hardware. A business continuity program had duplicate hardware and software up and running so no emergency occurred. The business could get the other duplicative system up and running so it was a nonemergency. Repairs and replacements could be made on a scheduled basis, and purchases were more efficient and less costly. Assemblyman Anderson wondered about the costs of a disaster recovery emergency and the hours or days needed to restore or recover from a significant disaster compared to the costs of a business continuity system to permit recovery in a more efficient fashion.

ASSEMBLYWOMAN KIRKPATRICK MOVED TO APPROVE DECISION UNIT ENHANCEMENT 225 AND INCREASE GENERAL FUND APPROPRIATIONS BY $354,746 OVER THE 2013-2015 BIENNIUM TO MAINTAIN A DISASTER RECOVERY SOLUTION FOR THE STATE BUSINESS PORTAL.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Winebarger said the Governor recommended General Fund appropriations of $77,366 over the 2013-2015 biennium for the Lightweight Directory Access Protocol (LDAP) service in decision unit Enhancement (E) 226, which was listed as other closing item 1 on page 12 of Exhibit C. The Office indicated LDAP was required to store user profile data to allow agencies to develop an enterprise-level, single sign-on solution. The state business portal security architecture must continue to meet security standards as it adds agencies using industry standard security. The Office indicated that it would not be using LDAP services as originally intended, but preferred to retain this funding to provide security features related to the state business portal disaster recovery plan. However, the Office had not identified specific security services or products that would enhance the portal's disaster recovery plan. Fiscal Analysis Division staff did not recommend approval of this decision unit without a specific plan or identified purpose.

Mr. Winebarger said the Governor recommended General Fund appropriations of $164,530 over the 2013-2015 biennium to fund contract development services for the portal in decision unit E-227, which was listed as other closing item 2 on page 12 of Exhibit C. The Office indicated contract services were necessary to continue to build applications, interfaces, and services within the state business portal. The Fiscal Analysis Division staff found this recommendation reasonable.

Mr. Winebarger explained the Governor recommended General Fund appropriations of $24,200 each year of the 2013-2015 biennium for staff training in decision unit E-228, which was listed as other closing item 3 on page 12 of Exhibit C. The Office identified three Oracle classes for two employees at a cost of $12,100 each for a total cost of $24,200 for the biennium. The Governor's recommendation of $24,200 each year was twice the amount needed based on documentation from Oracle included in The Executive Budget. Fiscal Analysis Division staff noted that in addition to this decision unit, the Governor recommends $129,500 for information technology (IT) staff training in decision unit E-231 in the Secretary of State's BA 1050. Therefore, Fiscal Analysis Division staff recommended reducing this decision unit to $12,100 in each fiscal year, for a General Fund savings of $24,200 over the biennium.

Mr. Winebarger stated decision units E-710 and E-720 requested IT equipment and were listed as other closing items 4 and 5 on page 12 of Exhibit C, and Fiscal Analysis Division staff found these recommendations reasonable.

Mr. Winebarger said the Governor recommended the reclassification of all three state business portal IT staff in decision unit E-805, which was listed as other closing item 6 on page 12 of Exhibit C. According to the SoS, the reclassifications, shown in the chart on page 13 of Exhibit C, were based upon the level of talent and expertise exhibited by the incumbents. However, it was noted that the IT professional 3 position recommended to be reclassified to a master IT professional 2 had been vacant since April 2012. The Governor recommended General Fund appropriations of $59,216 over the 2013-2015 biennium to fund the reclassification. Although the Division of Human Resource Management, Department of Administration would determine whether the duties performed by the positions qualified for the recommended positions, Fiscal Analysis Division staff recommended funding for the IT professional 4 and the IT manager 3. However, because the position to be upgraded to a master IT professional 2 had been vacant for over one year, the "talent and expertise exhibited" by this position could not be verified.

Mr. Winebarger said Fiscal Analysis Division staff recommended approval of the other closing items 2, 4, and 5 as shown on pages 11 and 12 of Exhibit C. Fiscal Analysis Division staff recommended disapproval of other closing item 1 and a modification to decision unit E-228 of item 3 as shown on page 12 of Exhibit C. Fiscal Analysis Division staff recommended the Committee only fund the reclassifications of position control numbers 0179 and 0180 in other closing item 6 as shown on page 12 of Exhibit C and requested authority to make technical adjustments.

> ASSEMBLYWOMAN KIRKPATRICK MOVED TO APPROVE OTHER CLOSING ITEMS 2, 4, AND 5 AS RECOMMENDED BY THE GOVERNOR.
>
> ASSEMBLYMAN KIRNER SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

In response to a question from Assemblywoman Kirkpatrick, Mr. Miller replied that he recommended the Committee approve the Fiscal Analysis Division staff recommendations on other closing items 1 and 3.

Chair Carlton commented that the Fiscal Analysis Division staff recommendation would match the actions taken by the Senate Committee on Finance in closing BA 1058.

Mr. Miller said the only recommendation he would like to argue for was the reclassification listed as other closing item 6. He said the Senate Committee on Finance approved the recommendation of the Office of the Secretary of State on other closing item 6.

Assemblywoman Kirkpatrick stated that she needed to understand and thought that the recommendation of Fiscal Analysis Division staff on other closing item 3 was to reduce decision unit E-228 to $12,100 in each fiscal year of the biennium for a General Fund savings of $24,200 over the 2013-2015 biennium.

Mr. Winebarger confirmed that Assemblywoman Kirkpatrick's understanding was correct.

> ASSEMBLYWOMAN KIRKPATRICK MOVED TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION ON DECISION UNIT ENHANCEMENT 226.
>
> ASSEMBLYMAN KIRNER SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Chair Carlton said she would entertain a motion on other closing item 3 in decision unit E-228.

> ASSEMBLYWOMAN KIRKPATRICK MOVED TO REDUCE DECISION UNIT ENHANCEMENT 228 TO $12,100 IN EACH FISCAL YEAR, FOR A GENERAL FUND SAVINGS OF $24,200 OVER THE 2013-2015 BIENNIUM.
>
> ASSEMBLYMAN KIRNER SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Chair Carlton said she would allow comments from Mr. Miller before entertaining a motion on other closing item 6 for decision unit E-805 that contained the personnel reclassification to upgrade the three state business portal IT staff positions. One position had been vacant for over one year.

Mr. Miller explained that while one position had been vacant, the Office tried to recruit for the position. When the applicants learned about the pay scale and the duties, the Office was unable to hire anyone to fill the position. The position was an essential position that worked directly with the state business portal IT staff. The Office hired a contract person to perform the duties, but the Office would prefer to hire a full-time employee that would save the state money in the long term. A full-time employee would provide some continuity because the contract was very limited in its scope of work. Having a full-time employee would allow the staff to back up other areas of the state business portal work.

Assemblywoman Kirkpatrick said she agreed with that recommendation. It was difficult to recruit IT staff. She believed the state should train its own IT professionals. She was willing to accept Mr. Miller's request and be consistent with the decision of the Senate Committee on Finance.

> ASSEMBLYWOMAN KIRKPATRICK MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION ON DECISION UNIT 805 AND TO AUTHORIZE THE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.
>
> ASSEMBLYWOMAN FLORES SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.
>
> BUDGET CLOSED.

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Chair Carlton said the Committee had concluded all scheduled budget closings. All actions of the Committee were in agreement with the actions taken by the Senate Committee on Finance. She opened the hearing on Assembly Bill 222.

Assembly Bill 222: Requires certain school districts to adopt pilot programs for the establishment of reading skills development centers. (BDR S-482)

Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas (UNLV) testified that she had been involved in a partnership with the Clark County School District (CCSD) over the past five years. She focused on urban poverty children and the high incidence of illiteracy in two capacities, both as a member of the UNLV English language learner (ELL) expert team and as a team focusing on literacy issues with the Reading Skills Development Center (RSDC).

Ms. Lazos presented Exhibit E, "RSDC CCSD-UNLV Collaboration" and stated the organizational chart explained the partnership. To solve the literacy problems that the CCSD and the state faced, the team had to think "outside the box." Higher education offered the possibility of doing that because higher education was engaged in research. This particular partnership brought cutting edge research on literacy and literacy failures together with CCSD to solve the problems. The team had made headway in developing solutions in places such as prekindergarten and kindergarten. Another key part of the solution was to hit literacy issues hard with expertise and a crisis mentality as the RSDC accomplished.

Ms. Lazos presented Exhibit F, "Intervention Support." The existing pilot program serviced six CCSD schools and served a total of 406 students. These students were tested, found illiterate, and would be unable to achieve reading proficiency by the end of elementary school. The RSDC was an intervention that focused on helping children who were at high risk of being illiterate. Her team's work was that of saving lives and helping these children get back on track. The results showed the team helped children to read at 85 percent of normal. This was the only CCSD literacy program that evaluated its results. The data proved its successes.

Ms. Lazos explained Assembly Bill 222 was a request for continuation of a pilot program that had good results and solved problems. The RSDC would return to the Legislature next biennium and provide the results. The vision was to solve the illiteracy problem. The program served six CCSD schools and the appropriation that A.B. 222 requested would pay for the expansion to five more schools in fiscal year (FY) 2014. The program wanted to move into Washoe County and support five schools in FY 2015. If the pilot project continued to show the success that was shown in the past year, she would return to the next Legislature and ask for continued funding. She would ask in FY 2016 to expand to rural counties such as Elko and Nye Counties that had high illiteracy problems.

Ms. Lazos said A.B. 222 requested funds for two years to continue operations in FY 2014 and expand the pilot project for FY 2015 in Clark County to serve 11 schools. In A.B. 222, section 2 stated the appropriation for CCSD would be $3.3 million for FY 2014 and $4.8 million for FY 2015 for the operation costs of the RSDC. She presented Exhibit G, "RSDC Proposed Budget," that listed the various proposed expenditures for the program. Ms. Lazos said most of the costs were to pay for the expertise of a master reading teacher working with three tutors. The master reading teacher, in conjunction with UNLV staff that used diagnostic and intervention programs, addressed the needs of the most at-risk students.

Ms. Lazos stated page 1 of Exhibit G listed the costs for the existing RSDC sites located in schools. These schools were ranked as one and two stars including: Cambeiro, Long, Manch, Martinez, Petersen, and Tom Williams Elementary Schools. There were a total of six RSDC sites, and each center had a budget of $266,050 per year. The RSDC employed the best persons possible to help the children and perform professional development. The expansion from 6 to 11 RSDCs shown on page 2 of Exhibit G showed additional start-up costs of $56,640 per site, for a total of $283,200 for the additional 5 schools. The $56,640 would pay for computers, technology equipment, and software that assisted with the diagnostics that were available to the entire school.

Ms. Lazos said page 3 of Exhibit G showed the operating costs of the six existing RSDC sites totaling $1,596,300, the operating costs of the additional five RSDC sites totaling $1,330,250, and the start-up costs for the additional five RSDC sites totaling $283,200, plus one additional project facilitator totaling $90,250, for a grand total of $3.3 million. Page 4 of Exhibit G listed the total cost of $4.8 million for FY 2015 to expand the program to an additional five schools.

Ms. Lazos summarized that the proposal addressed the most at-risk schools and the most affected children. She thought RSDC was a great investment. Every child who did not graduate from high school cost the state $260,000 in lost income and additional resources. This was almost a ten-fold return on investment. The dollars spent now would help a child to read and graduate from school. The child would not be a special education student or a literacy failure. The RSDC would solve the illiteracy problem early.

Ms. Lazos explained Exhibit H was a budget to modify the amount requested in A.B. 222, section 3, subsection 1 from $1.1 million in FY 2014 to $857,252 and from $1.6 million in FY 2015 to $1,061,078. The amounts funded in Exhibit G related to the organizational chart that was Exhibit E. The program would use education psychologist graduate students at $25,000 annually for 20 hours of work per week each year. These graduate assistants would travel to each RSDC site and conduct cognitive assessments and identify and diagnose what was wrong with the child and why the child could not read. The graduate assistants would work with the master reading teacher to develop the protocol for each child. Ms. Lazos said this program was a bargain.

Ms. Lazos stated the expertise of the UNLV faculty would be leveraged, and the faculty would supervise the duties of the graduate assistants. The program looked at new methods to help these children learn to read. The most difficult cases of illiteracy were addressed by the team of CCSD and UNLV experts. The team approach used existing resources of the state to address the literacy problems.

Ms. Lazos said page 4 of A.B. 222 requested an appropriation of $1.5 million for Washoe County and $550,000 for the University of Nevada, Reno for FY 2015. She lacked a separate proposal for Washoe County, but said the costs were similar to CCSD costs shown on page 3 of Exhibit G. The proposal would establish five RSDC sites in schools in Washoe County, and the cost would be $283,200 times five schools for a total of $1,416,000. In addition, RSDC needed a project coordinator to manage the program for an additional cost of $90,250. The grand total was $1,506,250. The final cost should be changed in A.B. 222, section 5 from $550,000 to $264,810 as shown on Exhibit I. Graduate assistants would be assigned to travel to each of the five schools. The costs included faculty time for supervision to assist Washoe County with development of the RSDC methodology and program.

Ms. Lazos said the best use of state funds was to give every child an opportunity to succeed. She believed that every child needed to read, and that was why the RSDC job saved lives. Too many children were left behind without the ability to read. In Title I middle schools in CCSD only 30 percent of the children read at a basic level. Those children had almost no chance to graduate and be successful. The earlier children learned to read, the better. The RSDC used a partnership that leveraged existing resources. The RSDC program was at the cutting edge of literacy programs and was used in Utah and Florida. She believed it was important to provide these children a chance to read. The state needed to develop a teaching core that was high quality and addressed the essentials of literacy. The RSDC was part of the overall solution to lift the state from number 50 in the nation.

In response to a question from Chair Carlton, Assemblywoman Olivia Diaz, Clark County Assembly District No. 11, replied that she understood RSDC was an expansion of an existing program in six schools in CCSD and would become a pilot program in five schools in Washoe County.

In response to a question from Assemblyman Hickey, Assemblywoman Diaz replied RSDC worked well in the six Title I schools in Clark County that had high poverty and ELL populations. The RSDC program fit well with the ELL programs. The state was at ground zero with the six RSDC sites in CCSD schools. Schools were unable to reach children at the times the children needed the most help. The RSDC provided early intervention services in kindergarten through third grade. Many research studies indicated that by the time children were in third grade, their literacy learning became more difficult, and illiterate children lacked the opportunity to graduate from high school and be successful. She thought the state would be wise to make its money count. The RSDC program used money to remediate those children who needed the most help and had not received as many services as they needed.

Ms. Lazos said it was important to determine the basic necessities of ELL and high poverty children. The Governor proposed a grant program that was funded with $29 million to fill a need that she estimated would cost about $130 million. The CCSD would be able to apply for funds from the Governor's grant program. The CCSD had a number of priorities, and RSDC may not be the number one priority that CCSD might fund with $15 million. Senate Bill 504 included a request for RSDC funding, and if S.B. 504 was approved, A.B. 222 would be redundant.

Ms. Lazos said the appropriation in A.B. 222 was not in The Executive Budget because RSDC was a new approach. The RSDC was a leverage of UNLV resources and skilled literacy staff at CCSD to address literacy. Nevada's children were not reading because the state was not focusing on the lowest level of children's needs. The state lacked the right professional development and the right instruction. The RSDC solved that problem. The only way to get ahead was to expand RSDC to high-poverty schools.

In response to a question from Assemblyman Sprinkle, Ms. Lazos said she had a report on RSDC outcomes. The program had spent about $1.3 million for the existing pilot program in CCSD. She raised private money to make the UNLV portion of the collaboration possible, but the private money was only available for one year. She lacked the continuing funds for the RSDC pilot project for FY 2015 from UNLV.

Assemblywoman Diaz added that she hoped the Committee would continue the RSDC work. She would ensure the Committee received the RSDC outcome report. The RSDC did three things: it helped the university system, it helped the public education system serve the children that were in the most need, and it put RSDC sites in schools that needed professional development. The master reading teacher that supervised the ongoing tutoring provided professional development to the teachers in the schools. Those teachers were also sharing that knowledge and expertise to remediate reading for the students in their classrooms. The RSDC provided tutoring that expanded into each classroom to struggling readers. Sometimes the tutors working with the students became teachers, who then already had this knowledge in their tool belt.

Craig M. Stevens, Director of Government Relations, Nevada State Education Association, testified that the Association supported A.B. 222 because RSDC used money from the State Supplemental School Support Account, which was the room tax money. He pointed out that RSDC was the type of service that was envisioned when the account was created. The RSDC was an innovative way to help children read better. He thought there was another bill that put the State Supplemental School Support Account money back into the General Fund. If that occurred, he was unsure how programs such as RSDC would get funded. But he supported A.B. 222 and wanted to keep the funds separate for programs to help children.

Lindsay Anderson, Government Affairs Director, Washoe County School District, testified that the District supported A.B. 222. The superintendent of the Washoe County School District, Pedro Martinez, had seen some of the positive effects of RSDC during his time at CCSD. The District was excited to have the potential to bring RSDC to Washoe County.

Joyce Haldeman, Associate Superintendent, Community and Government Relations, Clark County School District (CCSD), testified that as the host district of the RSDC pilot program, she wanted to let the Committee know that RSDC was successful. The RSDC was a good model worth replicating, and it had the ability to intervene early in the lives of children to help them be successful.

Julia Teska, Director of Finance and Planning, Department of Education, testified that the Department submitted a fiscal note on A.B. 222. The Executive Budget proposed to use the funds in the State Supplemental School Support Account as a revenue source for the Distributive School Account. If these funds were used to fund A.B. 222, then the Committee should consider these funds as General Funds because A.B. 222 would create a deficit in the General Fund.

Hearing no response to her request for further testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she closed the hearing on A.B. 222 and opened the hearing on Assembly Bill 448.

Assembly Bill 448: Revises certain provisions concerning the state militia. (BDR 36-1142)

Jennifer McEntee, Administrative Services Officer 2, Office of the Adjutant General, Office of the Military, testified the proposed revisions to *Nevada Revised Statutes* (NRS) chapter 412 were to modernize and clarify the language of the statute. She said Assembly Bill 448 requested authority to require a security deposit for the rental of a facility or armory. The agency wanted to change the manner of accounting for the money paid for services and authorize the use of the funds to make repairs, construct new facilities, fund various activities, and further state and governmental relations.

Ms. McEntee stated that A.B. 448 provided streamlined oversight for the funds generated from short-term facility rentals. The bill removed the requirement to forward one-half of the rental fee to the General Fund for the individual armory needs and directed that all funds be deposited into the General Fund. The second major revision aligned the language of the Patriot Relief Account to the agency's business practices. The language authorizing the $100 reintegration payment was removed because federal funds fulfilled that purpose.

In response to a question from Chair Carlton, Ms. McEntee replied that the agency currently did not request a security deposit for rental of a facility. The agency would have the ability to charge a security deposit that could be waived for organizations that were unable to pay. This bill did not increase any of the budgets, but adjusted how the money was collected and spent. Assembly Bill 448 was a housekeeping bill and had no effect on the budget.

Hearing no response to her request for testimony in support of or in opposition to the bill, Chair Carlton called for public testimony. There being no public testimony, she closed the hearing on A.B. 448.

Chair Carlton called for public comments and there were none. There being no further business before the Committee, Chair Carlton adjourned the meeting at 11:10 a.m.

RESPECTFULLY SUBMITTED:

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Janice Wright
Committee Secretary

APPROVED BY:

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Assemblywoman Maggie Carlton, Chair

DATE: ___________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: April 22, 2013 **Time of Meeting: 8:09 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Kristen Kolbe, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau	Budget Closing List Number 4
A.B. 490	D	Susie Lee, President, Board of Directors, Communities In Schools of Nevada	Presentation to the Nevada Assembly Ways & Means Committee
A.B. 222	E	Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas	RSDC CCSD-UNLV collaboration
A.B. 222	F	Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas	RSDC Intervention Support
A.B. 222	G	Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas	RSDC Proposed Budget
A.B. 222	H	Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas	RSDC Proposed Budget Revisions
A.B. 222	I	Sylvia R. Lazos, Professor of Law, William S. Boyd School of Law, University of Nevada, Las Vegas	RSDC Testimony about Washoe County RSDC Proposed Budget