MINUTES OF THE
LEGISLATIVE COMMISSION'S BUDGET SUBCOMMITTEE
Seventy-Eighth Session
January 27, 2015

The Legislative Commission's Budget Subcommittee was called to order by Chair Paul Anderson at 8:35 a.m. on Tuesday, January 27, 2015, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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: www.leg.state.nv.us/App/NELIS/REL/78th2015. In addition, copies of the audio or video of the meeting may be purchased, for personal use only, through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Paul Anderson, Chair
Assemblyman John Hambrick, Vice Chair
Assemblyman Derek Armstrong
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblywoman Maggie Carlton
Assemblywoman Jill Dickman
Assemblyman Chris Edwards
Assemblyman Pat Hickey
Assemblywoman Marilyn K. Kirkpatrick
Assemblyman Randy Kirner
Assemblyman James Oscarson
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Ben Kieckhefer, Chair
Senator Michael Roberson, Vice Chair
Senator Pete Goicoechea
Senator Mark Lipparelli
Senator David R. Parks

Senator Debbie Smith
Senator Joyce Woodhouse

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Mark Krmpotic, Senate Fiscal Analyst
Stephanie Day, Principal Deputy Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Anne Bowen, Committee Secretary
Cynthia Wyett, Committee Assistant

Following call of the roll, Chair Anderson asked for public comment. There being no public comment, Chair Anderson recognized James G. "Greg" Cox, Director, Department of Corrections (NDOC). Mr. Cox introduced E. K. McDaniel, Deputy Director, Operations, NDOC, and Scott Sisco, Deputy Director, Support Services, NDOC.

Mr. Cox began his presentation on page 2 of "Budget Overview Hearing, Department of Corrections, January 27, 2015" (Exhibit C), beginning with the mission and goals of the Department. He thanked the staff of the Department for what had been accomplished during a difficult time. The mission of the NDOC was to protect the public and to operate using best practices. Mr. Cox noted that education was a large component of the Department's goals.

Page 3 of Exhibit C provided the locations of seven major correctional institutions, two transitional housing centers, and nine camps. Mr. Cox emphasized the importance of the conservation and forestry camps to the citizens of the state, especially in rural areas and small communities.

Referring to page 4 of Exhibit C, Mr. Cox explained there were problems associated with prison population forecasting because Nevada had been the fastest growing state in the country. He remarked that it was his understanding that the Clark County School District had an increase of over 1,000 students in the past school year, and Las Vegas had experienced a significant amount of economic activity and growth in housing that led him to believe the state was growing again. Page 4 of Exhibit C illustrated how the Department and its consulting firm, the JFA Institute, approached population forecasting for the Department of Administration.

Mr. Cox stated there were several important factors that affected population forecasting such as current crime rates, lengths of incarceration, parole grant rates, and court practices.

Page 5 of Exhibit C illustrated the population forecast beginning in 2006 and through 2017. Mr. Cox noted that 2006 and 2007 had shown significant growth, and three facilities had received 240-bed dormitories: Northern Nevada Correctional Center (NNCC), Florence McClure Women's Correctional Center (FMWCC), and Southern Desert Correctional Center (SDCC).

According to Mr. Cox, it was clear that the prison system was beginning to grow again. While he hoped the forecast would be accurate, the growth in population in the Clark County Detention Center, for instance, generally affected the prison population and would have to be watched closely.

Page 6 of Exhibit C compared the legislatively approved male population and female population forecasts to actual population figures. The chart illustrated population forecasts beginning for the male population from 2007 to 2015, and for the female population beginning in 2009 through 2015.

Page 7 of Exhibit C provided information regarding yearly male admissions. Mr. Cox said that in 2013 there had been 4,830 male admissions, which was a decrease of 2.3 percent from the previous year. He noted the admissions changed often, and in 2002 there had been a 3.5 percent increase and in 2003, a 12.4 percent increase.

Mr. Cox commented that on page 8 of Exhibit C, yearly female admissions, the same thing was shown. The number was volatile and in 2004, there was a 20.7 percent increase in female admissions. While that increase was significant, smaller overall numbers affected the percentages. Additional beds had been added to Florence McClure Women's Correctional Center, creating vacant beds that could be used. Mr. Cox remarked that the percentage increase in 2012 was 4.88 percent, and in 2013, it was 3.79 percent.

Referring to page 9 of Exhibit C, Mr. Cox called attention to a breakdown of Fiscal Year (FY) 2013 total admissions. New commitments numbered 3,113, or 57 percent; probation violators numbered 1,348, or 23 percent; parole violators numbered 894, or 16 percent; and other admissions numbered 398, or 7 percent of total admissions.

Chair Anderson asked whether there was any data concerning probation and parole that indicated instances when there had been intervention or programs affecting recidivism.

Mr. Cox responded that there was a program called Opportunity for Probation with Enforcement in Nevada of which he was aware. There were certain measures that were being taken between the NDOC and Division of Parole and Probation (P&P), Department of Public Safety, to reduce the amount of violators, but he believed those questions were better reserved for Parole and Probation. Mr. Cox explained that probation and parole violators constituted 39 percent of the intake population, which was significant. He believed there should be continuing care and services when an inmate left prison and returned to the community, and he had testified to that a number of times. The focus of both the NDOC and P&P was efforts to decrease the prison population.

Scott Sisco, Deputy Director, Support Services, Department of Corrections (NDOC), referred to page 10 of Exhibit C. Mr. Sisco explained the JFA Institute projection on where the inmates were going to be housed was shown month by month. The chart illustrated there would be a population increase in FY 2016 to 12,817 inmates compared to the base year (FY 2014) and a further increase to 12,882 inmates in FY 2017. On page 11 of Exhibit C, the chart demonstrated by institution where those increases and decreases would be in both FY 2016 and FY 2017. Mr. Sisco noted one of the concerns was there was a fair amount of population reduction in the minimum-level facilities. Mr. Sisco reiterated that the JFA Institute projected what the population in the institutions was going to be and then research analysis in the Department's offender management unit used JFA's projections and projected further based on past historical trends.

Director Cox referred to page 12 of Exhibit C, which outlined the major challenges facing the NDOC:

- Female population pushing the available bed count.
- Increasing percentage of maximum and medium security inmates.
- The State Criminal Alien Assistance Program (SCAAP) federal grant reduction.
- Insufficient bandwidth into institutions.
- Aging infrastructure and rising maintenance cost.
- Inmates and public records requests.
- Southern Nevada Correctional Center maintenance.

Mr. Cox referred to his previous testimony regarding the female inmate population and said the available bed count was being pushed, which meant there were available beds, but it would require additional staff to open them.

The increasing percentage of maximum and medium security inmates had become a concern in the rural communities, as well as the number of maximum-security inmates in Ely State Prison. Mr. Cox said the medium security population was distributed throughout the rest of the major facilities.

According to Mr. Cox, one of the significant effects of the SCAAP federal grant program had been a reduction in funding from $3.4 million to $1.3 million. He had spoken on this topic a number of times and had also spoken to Nevada's Congressional Delegation. Over a thousand persons incarcerated in the NDOC facilities were covered by that funding, and the Director opined that the federal formula was inaccurate and did not pay the cost of inmates in the Department. As an example, if those thousand inmates were fully funded for the costs of incarceration, the total cost would be approximately $19 million.

Assemblywoman Kirkpatrick requested information on any of the rehabilitation programs provided for the women's facility. She said she was aware that High Desert State Prison and other facilities had prison industries, and generally, men participated in those programs more than women did. However, more women were being incarcerated, and she was curious to see what was being done to aid women returning to the workforce.

Director Cox agreed to provide Assemblywoman Kirkpatrick and the Subcommittee with information regarding programs available at Florence McClure Women's Correctional Center (FMWCC). He further commented that there were many inmates involved in education programs at FMWCC and said he would provide the number of inmates involved in each program.

Assemblyman Edwards inquired as to the percentage of persons on probation or parole that violated.

Director Cox referred to the graph provided on page 9 of Exhibit C and said 23 percent of the intake population came from probation and 16 percent came from parole.

Assemblyman Edwards said he understood that parole and probation violators made up almost 40 percent of the intake population and asked how that percentage translated to the number of inmates.

Director Cox said the Division of Parole and Probation was under the Department of Public Safety, and he did not want to provide inaccurate numbers.

Chair Anderson thanked Director Cox and said the Subcommittee would ask the Division of Parole and Probation to provide that information.

Senator Goicoechea noted the gradual reduction of population in the conservation camps and asked why parole violators were not automatically returned to conservation camps at roughly half the cost of incarceration.

Director Cox said he believed there were some parole violators in the camps. In his estimation, a large amount of that population should be going to the camps. The classification system moved people down in custody because it was cheaper to house inmates in minimum custody and the inmates did a lot more for the community in the camps and transitional housing centers. The classification instrument documented the violator's past criminal history and current criminal history to determine where that person was placed.

Returning to challenges facing the NDOC, listed on page 12 of Exhibit C, Mr. Cox addressed insufficient bandwidth in the institutions. In some of the rural areas, the Department had the same problems with bandwidth as the communities. Mr. Cox stated the Department had worked with the Office of the Governor and the Division of Enterprise Information Technology Services (EITS), Department of Administration, to expand the bandwidth for the Department.

Mr. Cox stated that the prisons had an aging infrastructure. He said he believed the Department had done a good job of maintaining facilities within its budget and was requesting funding for heating, cooling, sewage, and what were termed life-safety problems.

Assemblyman Oscarson inquired about savings at the prisons with telemedicine if bandwidth was increased and inmates did not have to be physically transported to receive medical care. Assemblyman Oscarson stated that had been discussed last year and he was interested in whether there had been projections done and how that would affect the Department's budget.

Mr. Cox said that detail could be provided. He believed many states were considering how they could deliver the medical and mental health care needed because of the limitations with physicians and psychiatrists. Many states had centralized and were using telemedicine from locations throughout the state. According to Mr. Cox, the California Department of Corrections and Rehabilitation (CDCR) had been using that model.

Assemblywoman Titus commented that in the rural area she represented, a diversion program concerning mental health and screening was being used to prevent persons ending up in jail. She wondered whether the NDOC was involved in those programs.

Mr. Cox said the Department would provide information regarding the Nevada Opportunity for Probation with Enforcement in Nevada program, which copied a program in Hawaii and was an intermediate sanctioned diversionary program. Judge Linda Marie Bell of the Eighth Judicial District Court in Clark County had used the program as a way to divert a person from jail and from prison. The program used a sanction that was immediate and swift: If the probationer was not doing what the probation officer required, the officer could use a sanction of up to 90 days, and if the probationer continued to violate the probation agreement, he or she could go to jail or prison. Mr. Cox said that unfortunately, the program was not available in northern Nevada.

Returning to page 12 of Exhibit C, Mr. Cox referred to inmates and public records requests and stated that subject would be discussed throughout the session. The Department received many public information requests, which were very time-consuming because the Department did not have staff to perform those tasks. According to Mr. Cox, inmates requested information from many state sources, and most of the time the request funneled back to the Department, resulting in multiple agencies attempting to resolve a question.

Senator Kieckhefer said he assumed there was a central log of what was being requested, who was making the request, and the cost being allocated to each request, and he requested a copy of that log. Director Cox agreed to provide that information to Senator Kieckhefer.

Mr. Sisco said, currently, one of the requests being made was for information regarding purchases by other inmates through the commissaries, which was causing security problems. He said that in 2014, inmates requested records from Legislative Counsel Bureau staff, and the volume of records received exceeded the inmate's allowable property limit. Mr. Sisco explained that it was a rather unique situation that went beyond cost and resources used and therefore, a bill submitted this session [Senate (S.B.) Bill 57] would not allow inmates to request public records unless applicable to their own criminal proceedings or appeals, as many other states had done.

Senator Smith commented that in reading the list of challenges facing the Department concerning crumbling infrastructure and lack of bandwidth, she noticed the same conversation was occurring about schools.

Mr. Cox said that Senator Smith knew the Department operation well. In the NDOC, inmates were still allowed to earn an associate's degree through the community college system. He noted that degrees were not paid for by the state, but by the inmate, and data showed that education reduced recidivism.

Mr. Cox continued his presentation. Southern Nevada Correctional Center (SNCC) in Jean, Nevada, was a 712-bed facility that was closed in 2007. That facility kept the state from having to build another prison. According to Mr. Cox, the Department was struggling to maintain SNCC, which when operating had costs of approximately $18 million a year. It was a very costly prison to run because it only had 712 beds in 100-bed units. Mr. Cox emphasized that the overall cost to operate that facility, should it be needed, was extremely high.

Mr. Cox referred to page 13 of Exhibit C, "NDOC Activity Budget," which showed a breakdown of funding costs for different types of activities, including health care, medium/maximum security, fiscal services, information technology, and general administration.

Mr. Sisco stated the Department had 11 activities, which were working well. He said that, as the Director had stated, there were many questions about what the Department was doing to keep the parolees from returning to prison, but the funds available for actual inmate programs were just 3 percent of the total budget.

Page 14 of Exhibit C entitled "2016/2017 Activity Budget," showed where the Department was spending its funds.

Mr. Sisco stated that in the 2015-2017 biennium, the activity budget increased to 96 percent. The Department spent 96 percent on core activities, which left 4 percent for administrative costs, such as human resources, payroll, training, and information technology. Mr. Sisco maintained that 96 percent for core activities was efficient and effective for the NDOC.

Mr. Sisco referred to page 15 of Exhibit C, which detailed that the Department's money came primarily from the taxpayers of the state of Nevada. He said 89 percent of funding came from the State General Fund, with a share of the 11 percent coming from one of the few federal grants the Department received, the State Criminal Alien Assistance Program (SCAAP) grant. Mr. Sisco explained that most of the money for any type of amenities for inmates was part of the 11 percent, which was derived from sales in the commissary and commissions on telephone calls.

The chart on page 16 of Exhibit C had some important figures highlighted. Mr. Sisco said this chart detailed the cost per inmate, per day, by facility, and separated medical, administration, and corrections programs to identify those costs separately. With support administration costs included, the Department would spend about $57.52 per day, per inmate in Fiscal Year (FY) 2017, as compared to the $55.45 actual in FY 2014. Mr. Sisco informed the Subcommittee that the Department spent much less on the camps than on the large institutions.

In response to a question from Chair Anderson regarding Southern Nevada Correctional Center (SNCC), Mr. Cox said operating costs for the prison were approximately $18 million to $19 million per year and costs to reopen the prison would probably be $36 million or more for the biennium. Mr. Cox opined that it would cost more to reopen SNCC at this time because of a number of factors, such as HVAC. The prison had not been operated since 2007, and he said the condition would be like going into your home if it had not been lived in for eight years. The state had only one employee, who worked five days a week, assigned to that facility. Mr. Cox said it was important to recognize the resource, but it was also important to realize what it would cost to reopen it.

Chair Anderson said he was curious why SNCC was so expensive to both mothball and to run.

Mr. Cox stated that the only time extensive money was saved in corrections was when facilities were closed, but incrementally, money could be saved when units were closed. Although closing one unit would save some money, the facility still had the towers on the perimeter, culinary staff, and maintenance staff.

Chair Anderson requested clarification as to why SNCC was so much more expensive to operate than other facilities of similar size.

Mr. Cox replied that it concerned the perimeter. The units were very small and it was a staff-intensive supervision model. He explained that SNCC had been offered to various private prison companies to manage in partnership with the state, but personnel costs were so substantial that no businesses were interested.

Assemblywoman Titus referred to page 17 of Exhibit C, where figures showed that NDOC medical costs had been going up until 2011, and suddenly there was a drop. She commented that she was curious about what the Department had done to change the upward trend for medical costs.

Mr. Sisco said there were some small economies such as telemedicine, but the largest savings was due to the Affordable Care Act (ACA). Inmates that left NDOC facilities for 24 hours or more for medical treatment were now eligible for Medicaid.

Referring to page 18 of Exhibit C, Mr. Sisco said the chart detailed inmate-driven costs, including those for operations, food, and clothing. The green highlighted columns detailed the current biennium budget, while the two columns on the end included the proposed FY 2016 and FY 2017 budget.

Mr. Cox directed the Subcommittee's attention to page 19 of Exhibit C, entitled "Prison Medical." He said that previously, inmates 62 and older or pregnant females were the only inmates covered for hospital care. Now, under the ACA, every inmate that was in the hospital for over 24 hours was Medicaid-eligible. Some of the counties were taking measures to enroll offenders in the jails for Medicaid, and the NDOC was hoping that the counties would also enroll jail inmates headed to the NDOC. Upon arrival, the Department would suspend the inmates' Medicaid eligibility and then reenroll them upon release. Mr. Cox remarked that the preferred provider organization (PPO) networks helped with outpatient care for hospital visits of less than 24 hours.

Mr. Cox said that NDOC was working with the Department of Health and Human Services (DHHS) and its Medicaid staff. The Department had requested funding from the State Board of Examiners to procure a forecasting tool. Although Mr. Cox said he appreciated the help supplied by the DHHS, he hoped that the Department could arrive at a better costs forecast model for the Department of Administration. The forecasting would remain difficult, however, because in one month's time, the Department received for intake one 21-year-old male and one 23-year-old male, both with terminal cancer, as well as a woman with a difficult pregnancy who delivered twins. He did not believe any forecasting model would cover those types of problems.

Mr. Cox informed the Subcommittee that Carson Tahoe Regional Medical Center refused to admit Medicaid-eligible inmates unless it was an emergency, which created a problem for the NDOC. Because of Carson Tahoe Regional Medical Center's decision, the Department had transported inmates to Renown Regional Medical Center in Reno, and inmates in southern Nevada were being kept there rather than transferred to northern Nevada. Mr. Cox emphasized that there had been multiple discussions between the Department and the hospital. Transporting an inmate from Northern Nevada Correctional Center (NNCC) in Carson City to Carson Tahoe Regional Medical Center was a much shorter trip than from NNCC to a hospital in Reno. The Department tried to limit how much time an inmate was out of a secure facility.

Mr. Cox commented that the Department had agreements through Valley Health System and others in southern Nevada to accept inmates. However, the hospital network in southern Nevada had specialty hospitals with oncology, heart disease, and liver disease care, all specific to certain hospitals. He also noted that the Department did not have the staff to take inmates to medical services in southern Nevada. While the northern Nevada facilities had the staff, inmates in northern Nevada were being transported to Reno.

Mr. Cox stated 11.75 percent of the inmate population was over 55 years old. In comparing the NDOC with departments in the western states and departments nationally, they were usually composed of 7.5 percent to 7.75 percent inmates over 55 years of age. Nevada's prison population was significantly older and medical costs did not decrease as people aged.

Assemblyman Oscarson commented that the discussion regarding Carson Tahoe Hospital refusing inmate Medicaid patients had been ongoing for almost the past year. He wondered whether the hospital was refusing Medicaid patients from the citizenry and asked Mr. Cox to supply a cost assessment of the loss of those services to the Department.

Mr. Sisco replied that he could explain a few things regarding this problem. Carson Tahoe Regional Medical Center was not refusing any other Medicaid patients. Most of the costs had been incurred with inmates seeing local physicians that had admitting privileges to Carson Tahoe Regional Medical Center, and those inmates had to see new physicians that had admitting privileges at Renown, which doubled the costs. Mr. Sisco said overtime for staff had increased because some of the inmates that would have been transferred from the south had to stay in the south and as the Director mentioned, there was insufficient staff in facilities in the south to transport inmates to the hospital. Every time an inmate went to the hospital, at least two correctional officers were required to accompany him or her the entire time.

Mr. Cox referred to Exhibit D, entitled "Contract with Department of Corrections," the Washington state law that mandated that hospitals had to contract with the department of corrections to get a license in that state. Mr. Cox said it was a serious problem, and at this point there appeared to be no solution. The Department was working with Renown Regional Medical Center to solidify a long-term agreement.

Mr. Cox said one of the significant factors was duplicate services. There had been a number of surgeries scheduled at Carson Tahoe Regional Medical Center that had to be performed at Renown Regional Medical Center, requiring the inmate to see a different provider for the same medical issue. He said he was very appreciative of the hospitals across the state that had aided the NDOC with this problem and he added that, historically, the Department had had a good relationship with Carson Tahoe Regional Medical Center.

Assemblyman Oscarson commented that he could not understand how a hospital could refuse one population of Medicaid-eligible patients and accept another.

Senator Kieckhefer asked whether it was correct that before the change in Medicaid rules, the inmates were covered by Hometown Health.

Mr. Sisco acknowledged that Hometown Health was one of the Department's PPOs, and all other inmates not eligible for Medicaid used a PPO.

Senator Kieckhefer commented that he did not believe this was a problem of the Department's making, but if the hospital could not make money with 20 percent of its patients on Medicaid, nobody in the community would receive health care. He was sympathetic to his constituents in Carson City who still needed a functioning hospital, and while there were many opinions regarding this matter, he said the main problem was the low Medicaid reimbursement rate.

Assemblywoman Titus observed that it was not just the NDOC that had to deal with the problem, but also taxpayers in rural areas whose insurance was not accepted by Carson Tahoe Regional Medical Center.

Mr. Cox stated that, as many on the Subcommittee knew, the NDOC received a lot of oversight from the federal government regarding medical services. He believed the Department provided good medical services to the inmate population.

Assemblywoman Kirkpatrick wondered whether there were models in other states where older, more fragile inmates were housed in a facility closer to health care and end-of-life services.

Mr. Cox replied that there was a program called True Grit [Senior Structured Living Program] at Northern Nevada Correctional Center that was nationally recognized as being a program for older inmates. He said it worked very well, and the Department implemented the program without asking for additional staff. With the population increasing, the NDOC naturally supported a more elderly population. The Executive Budget recommended funding for a hospice program in northern Nevada, and it was hoped that the Legislature would support the program as well. Nevada was one of the few states that did not have a hospice program, but with such a program, the Department could maintain an elderly population inside a secure perimeter.

Senator Smith referred to the cost of diverting patients from Carson Tahoe Regional Medical Center to Renown Medical Center and commented that it did not make sense that the NDOC was giving Carson Tahoe Regional Medical Center exactly what it wanted by taking patients needing minimal care to Renown or other medical facilities.

Mr. Cox referred to page 20 of Exhibit C, the shift relief factor (SRF). He remarked that a number of Subcommittee members had toured NDOC facilities and were familiar with the operational plan and the staffing plan. Mr. Cox credited the Board of State Prison Commissioners—the Governor, the Secretary of State, and the Attorney General—for listening to the needs of the Department. With the closure of Nevada State Prison (NSP), the Legislature had allowed the Department to move certain positions, but the SRF had not been updated since 1979. The Department contracted with the Association of State Correctional Administrators (ASCA) to conduct a study, and the ASCA went through every facility, except two, on every shift, met with staff, and talked about the needs. The Governor was very clear—he wanted this group to talk to the employees, not just the administrators. The Governor's recommended budget contained requests for 100 additional staff, 45 in the first year of the biennium and 55 in the second year, to accommodate the shift relief factor. The total cost of the study was $78,000.

Senator Kieckhefer said his understanding was that because of the lack of an SRF, the Department was understaffed, and to continue operating the existing posts, it closed down specific posts. He asked whether that was correct.

Mr. Cox responded that Senator Kieckhefer was correct, and the Department was experiencing minimum staffing and had taken the stance that it would develop a minimum staffing plan at every one of the facilities and on every shift. The Department had examined every facility, shift by shift, and determined what was needed to operate in a safe and secure manner.

Referring to page 21 of Exhibit C, "Calculating a Shift Relief Factor," Mr. Cox said the left side of the page defined a shift relief factor and the chart on the right came from the Federal Bureau of Prisons, U.S. Department of Justice. He turned the presentation over to Deputy Director McDaniel.

Senator Kieckhefer requested that Mr. Cox address the Department's ability to fill some of the vacant positions.

Mr. Cox stated that the Department hired continuously. It was a difficult job and pay was always a problem as it was in almost every state. Vacancy rates in corrections had always been high, especially in rural areas.

E. K. McDaniel, Deputy Director, Operations, Department of Corrections (NDOC) said he wanted to clarify page 21, Exhibit C. The shift relief factor was the number of full-time-equivalent (FTE) staff needed to fill a relieved post, one that was covered on a continuous basis for a single shift. Mr. McDaniel said it was difficult for people to understand, but corrections was unique even among other law enforcement agencies, because if an officer was not available to fill a particular post at other agencies, the position could be left vacant for a time. The NDOC did not have that option; there always had to be someone at every post. Mr. McDaniel said the SRF used a complicated formula to determine how and when shifts were filled. He further noted there had been other changes at the agency. The Family and Medical Leave Act (FMLA) was an additional requirement that had not been considered in the previous relief factor, and it was used every day.

Referring to page 22 of Exhibit C, "Costs and Changes Associated with the Revised SRF," Mr. McDaniel said the Department was aware of budget constraints and was requesting the changes in increments based on the percentage of staff at work in each facility.

Mr. Cox continued with the presentation and referred to page 23 of Exhibit C, "Major Enhancements and Significant Maintenance Items," which were as follows:

- A hospice and palliative care program.
- New mental health counselors in Lovelock and Ely.
- 20 percent per year videoconferencing equipment replacement.
- Building maintenance needs.
- Equipment replacement needs.

Assemblywoman Titus asked whether dental costs for inmates were included in the medical costs, and Mr. Sisco replied that they were.

Mr. Cox stated that page 24 of Exhibit C contained the Department's Capital Improvement Program for the 2015-2017 biennium. He said the Department was requesting air handling units, rooftop units, door locks, and replacement of boilers and water heaters. At the bottom of page 24, the Statewide Energy Efficiency Program was yet to be determined, but Mr. Cox noted the Department had been a leader in the state in reducing energy costs. He was certain there would be conversation about the request for the new execution area remodeling at Ely State Prison.

Mr. Sisco said page 25 of Exhibit C concerned "Supplemental Appropriations Request Included in the Governor's Recommend Budget." He said prison medical care was included based on the overall shortfall last year after reversions.

Mr. Sisco said the second supplemental request was the SCAAP grant. When most state agencies received a federal grant and the grant did not materialize, programs were cut, but according to Mr. Sisco, the SCAAP grant did not work that way. It supplanted state funds so the Department needed to receive the difference from the Legislature.

The last supplemental request was projected payroll, and the state used vacancy savings built into the budget. Mr. Sisco said it was a good budgeting tool, but sometimes it worked and sometimes not, and in this case, the Department fell a little short.

Mr. Cox commented that many of the members of the Subcommittee had asked to meet with him individually, and he wanted to meet with any members who might have questions about what the Department was doing and the direction it was going.

Senator Smith said she had one question about the Southern Nevada Correctional Center (SNCC). When she had toured Summit View Youth Correctional Center last year, one of the things she noticed was that it had been "cannibalized" during the time it was closed, and a lot of investment had to be made to replace equipment. She asked what the situation was with SNCC.

Mr. Cox responded that the Department had been very careful not to take many items from SNCC because that facility was its "ace in the hole." For example, while things had been removed from the culinary unit, there was an almost new laundry and nothing had been removed from it.

Chair Anderson thanked Mr. Cox and the NDOC staff for their presentation.

Chair Anderson recessed the meeting at 10:07 a.m. and reconvened the meeting at 10:21 a.m.

Chair Anderson welcomed James M. Wright, Director, Department of Public Safety (DPS) and asked him to introduce his staff.

Mr. Wright introduced Jackie Muth, Deputy Director, Department of Public Safety, and Sheri Brueggemann, Administrative Services Officer 4, DPS.

Mr. Wright thanked the Subcommittee for the opportunity to present the Governor's recommended budget for the Department of Public Safety (DPS). He said DPS was a fairly young organization, established in 2001 through legislative action that separated it from the Department of Motor Vehicles (DMV).

Mr. Wright referred to page 2 of Exhibit E, which contained the mission statement, the vision statement, and the motto. He said DPS was a multidisciplinary organization, which was far more than just the Nevada Highway Patrol. Not only the sworn officers, but the civilian employees in every division played a part to provide public safety, and Mr. Wright said he was proud of each one of them.

Page 3 of Exhibit E showed the organizational chart of the Public Safety management team, and Mr. Wright introduced those members who were present.

Page 4 of Exhibit E, "Major Department Activities to Support Safe and Secure Communities," highlighted many of the Department's functions as follows:

- Department policy development and management.
- Train of department personnel.
- Highway Patrol operations.
- Offender supervision.
- Major crime investigation, narcotic enforcement, and threat analysis (intelligence gathering).
- Emergency preparedness, including homeland security.
- Maintain criminal history records.
- Conduct criminal history background checks.
- Fire/hazmat compliance and enforcement.
- Highway safety education.
- Grant administration.
- State facility protection.
- Provide various support and administrative services.

Mr. Wright referred to page 5 of Exhibit E, "Major Department Goals," as follows:

- Improve highway safety awareness through education campaigns.
- Reduce annual highway fatalities.
- Reduce highway injury crashes.
- Improve the number of offenders who successfully complete parole or probation.
- Improve the percentage of court concurrence with division sentencing recommendations included in presentence investigation reports.
- Improve the percentage of jurisdictions participating in emergency training exercises.
- Increase the number of cadets successfully completing basic academy.
- Maintain a high percentage of enforcement following criminal, narcotic, and fire investigations.
- Increase workplace security/safety through employee training.

Mr. Wright stated he was proud of certain accomplishments within the Department. The General Services Division (GSD) had increased the percentage of courts reporting case dispositions from 37 percent to 100 percent in the past year.

The GSD, in conjunction with the Division of Public and Behavioral Health, Department of Health and Human Services, had implemented an automated background check system to streamline the background checks of long-term health care workers. According to Mr. Wright, the pilot program had grown to over 100 accounts.

The Investigation Division (NDI) had removed over $5.3 million of controlled substances from the state's communities.

Mr. Wright stated the Training Division had graduated 99 new officers in the past biennium. The Department had also reduced the academy to 15 weeks from 24 weeks, which allowed for a third academy each year, if necessary.

The State Fire Marshal Division had completed a major upgrade to hazardous materials database software providing an improved user interface.

Mr. Wright said the Capitol Police Division had developed threat management response and investigation protocols and conducted associated training for state agencies.

Regarding the Division of Parole and Probation (P&P), Mr. Wright said the administrative banks had been eliminated by developing a new method of managing excess caseloads because of employee vacancies. According to Mr. Wright, this change improved the quality of supervision. The new unit was called the low-risk supervision (LRS) unit.

Assemblywoman Titus asked what was eliminated in the program when the academy was reduced from 24 weeks to 15 weeks. Mr. Wright stated that the Peace Officers' Standards and Training (POST) Commission required a certain amount of hours, and it was discovered that the Department had exceeded the POST requirement for a basic certificate. Mr. Wright explained that after graduating from the basic POST academy, an officer went to an assigned division where more training would be provided.

Assemblywoman Titus remarked that her husband was a former sheriff of Lyon County, so she understood the POST training, but many young officers were being trained through Western Nevada College (WNC) and other programs. She asked about the length of those programs.

Mr. Wright replied that the POST academy training class conducted at WNC was no longer in existence, but the POST Commission academy class was approximately 14 weeks. He reiterated that the Department was meeting the minimum standard that POST required for a basic certificate.

Mr. Wright said Parole and Probation had significantly reduced the "in-custody" continuances for presentence investigation (PSI) completions.

The Highway Patrol (NHP) had improved efficiency models by completing phase one of the mobile data computer system and publishing a new strategic plan, which highlighted new performance measures, goals, values, and core activities for the division.

Mr. Wright said DPS had established a multidisciplinary, stable, and unified management team, and he believed that DPS was capable of handling any emergency or natural disaster incident that might occur.

The DPS had established the Nevada Threat Analysis Center (fusion center) in Carson City. According to Mr. Wright, another achievement to be proud of was national accreditation by the Emergency Management Accreditation Program for the Division of Emergency Management. Nevada was only one of 28 states with the designation. The State Comprehensive Emergency Management Plan (SCEMP) had been updated, and continuity of operations plans had been completed for all state agencies. The DPS was the first major state agency to consolidate information technology (IT) services with Enterprise Information Technology Services (EITS), Department of Administration.

Mr. Wright stated the Department had initiated the modernization of the Nevada Criminal Justice Information System (NCJIS).

Regarding staffing, Mr. Wright said the Department had approximately 1,400 employees with a ratio of 60 percent officers and 40 percent nonsworn positions. Some of the recruitment issues facing the Department were the retirement of senior staff, the loss of institutional knowledge, the transition time to fill positions of 16 to 18 months from recruitment through field training, the competition with local law enforcement for the same qualified individuals, and the need to consider about 1,000 applications to fill a 50-person academy.

Mr. Wright said the Department had focused on recruiting veterans and had been successful with the percentage of veterans in the academy. Mr. Wright said he believed recruitment would be a continuing problem and was the reason the Department wanted the flexibility of adding a third yearly academy. An academy had been started two weeks ago with 25 officers in the class, and another one would be held in late spring or early summer.

Mr. Wright referred to page 11 of Exhibit E, the "NCJIS Modernization Review and Update." A study for last session had been put together by MTG Management Consultants to replace the computerized criminal history system, the offender tracking information system (OTIS), the law enforcement message switch, and several ancillary applications. The NCJIS system was

20 years old, unsupported, and like many of the infrastructure systems in the state, was failing. The MTG study recommended an outsourced solution with six major initiatives and multiple projects over six years. The study estimated the cost to replace the system at $18 million.

Mr. Wright said that when DPS consolidated IT services with EITS, the modernization plan was revised. The Department decided to pursue an in-house EITS solution that provided for four phases with several initiatives based on the MTG study. Mr. Wright believed internal modification would provide better control over the development instead of buying an off-the-shelf product and trying to modify it to the Department's needs.

Mr. Wright said the Subcommittee could appreciate the preparation to transition to such a large project. The EITS staff had been establishing system architecture and platforms, purchasing software tools, training staff to use those tools, reengineering software, developing ancillary applications, providing data migration, and replacing the law enforcement message switch. Mr. Wright said the message switch was the hub of the system and was how the DPS system communicated with other systems. He noted the Department was projected to spend the entire $2.3 million one-shot appropriation.

Mr. Wright explained that phase two of the project was very important and would replace the computerized criminal history system, which included defining and building hot files, to provide information critical to the officer on the street. An officer could stop someone, run his or her name, and receive quick access to an identity. Mr. Wright reminded the Subcommittee that the system was not only for DPS use, but served each and every law enforcement agency in Nevada. However, this key program was beginning to fail. Mr. Wright said a failure last week took the system offline for several hours, which delayed Brady [Brady Handgun Violence Prevention Act of 1993] background checks for individuals who were buying guns. According to Mr. Wright, EITS had been prompt with servicing the system, but it was now facing equipment failure.

Assemblyman Oscarson asked whether there was any cost for other agencies to participate in using the system, and Mr. Wright replied there was no cost. The state provided the service for local law enforcement.

Mr. Wright stressed that phase two required support from the Legislature to complete the project. Phase three and phase four would not be completed for years and would include a data warehouse and application refresh for the system, along with other user applications.

The second part of phase two was the replacement of the offender tracking information system (OTIS) used by the Division of Parole and Probation (P&P) to track offenders. The system also allowed an officer on the street to rapidly retrieve information about a subject.

Another technology request was a program called FileOnQ, an evidence-vault management system. Mr. Wright said that program was important because of the amount of evidence the Department controlled.

The Highway Patrol mobile data computer (MDC) project was a program that placed a computer in the patrol car with the officer. Mr. Wright said DPS was one of the few departments that did not have MDC capability.

Using Department of Transportation (NDOT) and forfeiture funds, a pilot program had been undertaken using 35 systems in patrol cars. Only 21 systems were currently active, but the Highway Patrol anticipated that all 35 MDC systems would be operational by March 1, 2015. Additionally, the systems had features that would reduce purchases of citation writers because the mobile computer would perform the function of writing citations. Mr. Wright said no problems had been encountered with the pilot program.

Senator Goicoechea asked whether the 35 units in use were spread across the state, and Mr. Wright replied that the units were concentrated in the Carson City area to monitor the pilot program before it was deployed statewide.
Mr. Wright stated the Department was requesting, with one-shot and supplemental appropriations, the replacement of vehicles from the Fleet Services Division, Department of Administration, which had exceeded the mileage threshold. To increase efficiency within budget constraints, the Department had increased the mileage threshold on the 2013 and newer vehicles to 125,000 miles. Mr. Wright said the mileage threshold had been 105,000 miles, but it was decided that newer cars were capable of being driven extra miles.

The Department was also requesting the purchase of seven motorcycles, which would replace seven NHP vehicles, to add one additional motorcycle squad in the Las Vegas area.

Mr. Wright said the Department had submitted supplemental requests from the State Highway Fund for a projected shortfall in personnel services in the Highway Patrol and for visiting dignitary protection.

Mr. Wright enumerated organizational and position adjustments that were being proposed:

1. Contract for private security services for Capitol Police Division to allow the elimination of four officer positions. This produced savings in officer training and equipment, as well as savings at certain fixed-post locations during nonoperating hours when peace officer powers were not required.

2. Eliminate one administrative assistant in the Investigations Division because of a redistribution of workloads.

3. Transfer one NHP public information officer (PIO) to the Director's Office.

Mr. Wright stated that DPS was probably the only major department that had not had a PIO for some time. The Department PIO was cut in a budget reduction, and Mr. Wright said it had been difficult because in sensitive situations, a PIO speaking for the Department would have been helpful.

The Department was requesting one sergeant for the Office of Professional Responsibility (OPR). Mr. Wright said the OPR conducted internal affairs investigations and had been borrowing officers from P&P or the Highway Patrol to perform investigations, and he hoped to return those officers back to their respective divisions.

The addition of one civilian polygraph examiner to P&P would provide a polygrapher solely responsible for polygraph examinations of sexual offenders. Mr. Wright said the Department was required to perform polygraphs of sexual offenders by court order. The Department had employed two polygraphers within the Investigation Division who were responsible for polygraphs for new officers and also criminal polygraphs.

In the Criminal History Repository, budget account (BA) 4709, the Department was requesting two information technology professional positions to support the Federal Bureau of Investigation's (FBI) National Crime Information Center audit function. Mr. Wright said the FBI set the standards that the Department operated under, and with EITS being the service provider, the Department needed an independent audit function for the EITS system to ensure compliance with federal requirements for safety of criminal information.

The Department was also requesting two program officers and one administrative assistant for the Sex Offender Registry Unit because of caseload growth.

The Department was requesting one administrative assistant position for the Civil Name Checks (CNC) program and again cited caseload growth as the reason for the request. Mr. Wright noted there had been an increase in background checks for providers caring for children and the elderly, and the CNC was the unit that performed those checks. The unit also had contracts with employment services to do background checks, and all those requests had created a service level that had been difficult to manage. Although the Department had appeared before the Interim Finance Committee (IFC) requesting and receiving temporary help, Mr. Wright believed anything requiring a background check, such as Brady background checks, would add to service level difficulties. He said the Department needed a system in place that could support additional background checks.

Referring to the disposition backfill project within the General Services Division, Mr. Wright said the Department was requesting ten additional contracted temporary staff for continued work on the disposition backfill. Now that 100 percent of the courts were reporting dispositions to the Department, it had created a backlog of 875,290 cases to be entered into the system. The Department had received funding for additional temporary staffing for data entry from the IFC and had procured grant funding to support some of the positions. Mr. Wright explained that staff was considering options such as swing shifts and overnight shifts to reduce the backlog as quickly as possible. Ultimately, dispositions affected background checks. Mr. Wright stated this was a high priority for the Department.

Assemblyman Hickey said Mr. Wright had mentioned in passing the need for more background checks and noted that was a policy matter that the Legislature might be contemplating in the upcoming session. He requested that Mr. Wright elaborate more about whether this opinion was arrived at from any studies the Department had performed.

Mr. Wright stated that he was concerned about the workload that the General Services Division was experiencing because of background check requests being received for school employees, health care providers, and employees in sensitive positions.

Assemblywoman Kirkpatrick said the Department had approximately 30 employees assigned to reduce the backlog, and according to Mr. Wright's figures, it appeared that each employee only cleared 1,000 dispositions of the backlog in a year's time.

Mr. Wright said those numbers had been accomplished since July 2014. He clarified that the entries depended on the court dispositions and the amount of information that was entered into the system. One of the things that compounded the problem was dual entry; information was being entered into both the state system and the federal system.

Assemblywoman Kirkpatrick remarked that based on the numbers presented, she saw no end in sight as far as reducing the backlog. She would need more information to reconcile the result with the number of employees the Department was using to reduce the backlog.

Mr. Wright said he appreciated Assemblywoman Kirkpatrick's position, but he noted that not all of the positions were currently filled, although the Department was still actively recruiting.

Assemblywoman Kirkpatrick wondered where on the state website the positions were posted. Mr. Wright said he could provide that information to Assemblywoman Kirkpatrick.

Senator Goicoechea said the Subcommittee needed to know how long it would take for the Department to handle a caseload of up to 150,000 background checks a year.

Mr. Wright said he would provide that information to the Subcommittee and added that the Department was taking measures to fill the vacant positions, but because employees were handling sensitive criminal investigations, not just anyone could be hired. Additionally, employees needed to have an information technology background.

Senator Smith asked whether the Department was working to keep current on new dispositions and then addressing the backlog.

Mr. Wright replied that the Department was taking current dispositions first and then dealing with the backlog. He said he had just been given information that might answer Assemblywoman Kirkpatrick's question about the job posting. The reason there was no posting on the state website was that the Department was using contract services to aid with entry of the backlog.

Senator Smith inquired as to whether there was a future plan to connect with the court through technology, ensuring that dispositions could be entered more quickly.

Mr. Wright replied that the Department had been working closely with the Administrative Office of the Courts (AOC) to implement that practice. However, many courts did not have technology in place to transmit data.

Mr. Wright said he would like to explain the difference between probation and parole. Probation concerned offenders that courts had placed on supervision in lieu of incarceration. Probationers stayed in the community and were required to adhere to specified conditions. Failure to comply with the conditions would result in a revocation of probation leading to incarceration.

Mr. Wright stated that parole concerned those offenders who were conditionally released from prison to serve the remaining portion of their sentences in the communities, subject to supervision and specific conditions.

The Division of Parole and Probation (P&P) was currently supervising 21,354 offenders. According to Mr. Wright, approximately 59 percent of those offenders were on probation and 41 percent were on parole. One Subcommittee member questioned success rates, and Mr. Wright said the Division showed a success rate among parolees of 78 percent and a success rate among probationers of 63 percent.

Mr. Wright said with the projected caseload increase for supervision, P&P was requesting an additional 30 positions, with 27 of the 30 being sworn officers, to be located in Reno, Carson City, Elko, and Las Vegas. The request was based upon the projections of the JFA Institute.

The Division of Parole and Probation was proposing to eliminate the 21 temporary positions. The request would eliminate 2 supervisors and 19 specialists that had been funded during the interim to address the presentence investigation (PSI) report backlog. Mr. Wright said the temporary positions had been successful in dealing with the PSI backlog.

Senator Kieckhefer remarked that he was having difficulty reconciling the request for 27 additional sworn officers based on the caseload growth in decision unit Maintenance (M) 200, assuming that the existing supervisory ratios would be used. The Senator requested that Mr. Wright clarify that ratio at some future time. Mr. Wright agreed to provide that information.

The Division was requesting an additional 11 specialists in the first year and 1 specialist in the second year of the biennium to handle the increase in projected caseload associated with PSIs as projected by the JFA Institute. The Division was also requesting four specialists for the fugitive apprehension unit and prerelease program based on the increase in caseload projections. Also because of the projections, the Division was requesting a specialist for the Southern Command to deal with post-conviction investigations.

As of October 2014, PSI reports were due to the courts 21 working days before sentencing dates. Mr. Wright said the 21-day requirement was difficult for P&P to achieve. The Department had submitted Assembly Bill (A.B.) 11 to change the 21 working days prior to sentencing requirement to 14 calendar days prior to sentencing. It had been determined through workload analysis that P&P could meet a 14-day requirement. Studies had been done that showed offenders usually received PSIs from defense counsel a day or two before the sentencing date. Mr. Wright questioned providing the 21-day level of service if it was not necessary. By modifying the requirement, he believed P&P could manage with its present staff.

Assemblyman Armstrong said he was having difficulty reconciling the new positions with the projected caseload projections. He requested some documentation explaining how the JFA Institute arrived at its projections.

Mr. Wright said that he struggled with the projections as well. The projections from the JFA Institute were given to the Department, added to the staffing formula, and a budget was prepared from those figures. He believed the projections would require a more detailed explanation than he could provide, but he would make sure Assemblyman Armstrong received the information he requested.

Assemblywoman Carlton referred to Assembly Bill No. 423 of the 77th Session (2013) and said the Legislature had done the best it could with the bill because no one knew with any certainty what P&P's capabilities and thresholds were. Now it appeared that there was actual information, not just anecdotal, about what could actually be accomplished. She said the goal regarding the time requirement had been to get offenders out of jail quicker, save money with shorter jail times, and make the system work a little better.

Mr. Wright remarked that he appreciated Assemblywoman Carlton's comments and hoped the Department and the Legislature could find a compromise. A high service level had been set, and P&P could not achieve it without dedicating extra resources when resources were scarce, and there were other financial needs.

Assemblyman Edwards said he had an array of questions and looked forward to seeing Mr. Wright in the Assembly Committee on Ways and Means, Subcommittee on Public Safety, Natural Resources, and Transportation that he would be chairing. For the moment, he wanted to know how many staff within DPS actually worked on the projections, what help the JFA Institute provided, and the cost of that help.

Robin Hager, Administrative Services Officer, Division of Parole and Probation (P&P), Department of Public Safety, explained that the Department provided actual numbers to the JFA Institute, which projected the caseload from there. Her guess was that the JFA Institute ran a trendline projection, but she received an Excel spreadsheet with the projections. Ms. Hager could not address what the JFA Institute was paid because the contract was with the Department of Administration.

Assemblyman Edwards said it sounded as though the Subcommittee would be having a lot of questions about what the JFA Institute provided and the cost to taxpayers.

Ms. Hager offered to supply the JFA projections to members of the Subcommittee. She noted that it required multiple tables to come up with just one number. Ms. Hager said she planned to meet with the Legislative Counsel Bureau Fiscal Division staff to walk them through the process of taking raw data and transforming it into caseloads.

Mr. Wright referred to Assemblyman Edwards' previous question about what efforts were being made to avoid revocation of parolees and said one of the intermediate sanctions used to avoid revocation was officer involvement with the offender. The officers could impose curfew, weekly reporting, loss of privileges, referral to counseling, and intense supervision. The State Board of Parole Commissioners could also require different programs such as open drug court, boot camps, house arrest, and inpatient treatment.

Assemblywoman Carlton requested clarification of the difference between low-risk supervision and administrative bank supervision and how offenders were assigned to those slots.

Mr. Wright explained the basic difference between administrative bank and low-risk supervision. Offenders assigned to low-risk supervision had to qualify based on the underlying offense, criminal history, a 90-day period of substantial compliance, and a clean urinalysis. Mr. Wright said low-risk supervision required officers and support staff to deal with offenders on a more regular basis. The administrative bank approach, with a 250 to 1 ratio of supervision, contained the interstate compact unit, the parole prerelease unit, and the fugitive apprehension unit caseload monitoring, which did not require much, if any, staff supervision.

Assemblywoman Carlton commented that a 250 to 1 ratio created a lot of bookkeeping and she wanted to know the percentage of early discharges that occurred. She maintained that the state did not need to be supervising people who did not need supervision.

Mr. Wright stated the ratio established for low-risk supervision was 160 to 1, and that was because of current officer vacancies. The Department was attempting to fill vacant officer positions and as the vacancies were filled, the ratios would be adjusted.

Assemblywoman Carlton said training officers was very expensive, and she wanted to understand why the Department was losing officers and where those officers were going.

Mr. Wright stated that within the DPS were DPS Officer 2s who had the ability to move from one division to another for specialty positions, and he could provide information on that job flow. He commented that the Department had a few P&P officers who wanted to get experience with the Highway Patrol, and those officers had transferred. Mr. Wright believed that cross-movement within the Department was healthy because the experience gained in other divisions ultimately helped those officers in their careers. As they advanced, the Department would be staffed with multidisciplined and experienced officers.

Referring to page 26 of Exhibit E, Mr. Wright noted some of the DPS bills:

- Senate Bill (S.B.) 37: Authorized GPS tracking of parolees and probationers who are under residential confinement.

- Assembly Bill (A.B.) 58: Revised provisions governing peace officer powers of sworn personnel of the Department of Public Safety.

- Senate Bill (S.B.) 42: Authorized the Investigation Division of the Department of Public Safety to provide investigative services as requested to other divisions of the Department and other state agencies.

- Senate Bill (S.B.) 82: Removed obsolete provisions referring to security services for the Supreme Court being provided by Capitol Police, since the Supreme Court now has its own police force.

- Assembly Bill (A.B.) 90: Established the Nevada Intrastate Mutual Aid System to create a flexible and scalable method of implementing intrastate mutual aid among political subdivisions, special districts, and federally recognized tribes with the state for all hazards.

Assemblywoman Carlton asked Mr. Wright to expand on A.B. 58.

Mr. Wright said the bill concerned Training Division officers and Office of Professional Responsibility (OPR) officers and their primary duties. Although the primary duty of a training officer was to train department employees, and the primary duty of OPR investigators was to conduct internal affairs investigations, the Department wanted it clarified that those positions were sworn peace officers. In the event there was a situation when some sort of enforcement action was required, the Department wanted there to be no question about whether those officers were authorized to enforce the law.

Mr. Wright continued his presentation with the Division of Enterprise Information Technology Services (EITS) consolidation update. He said that he and the previous director of the Department were aware of the failing IT system and decided upon a consolidation of IT services. Two weeks after consolidation, the system experienced a catastrophic email failure that left the Department without email service for a long time. However, EITS now had the Department on a stable platform.

Some of things that Mr. Wright shared with the Subcommittees were as follows:

- Upgraded and replaced out-of-date and out-of-service hardware and software (network services, help desk ticketing system).

- Upgraded 1,400 desktop computers to Windows 7.

- Implemented new endpoint security system agency-wide.

- Assisted with coordination of DPS NCJIS modernization project.

- Completed mapper reengineering identified in MTG Study (major application is P&P restitution payments).

- Migrated all DPS users to stable email platform after failure of the DPS system.

Mr. Wright commended the excellent communications between DPS and EITS. He hoped the Legislature would join him in ensuring that the NCJIS modernization became EITS' number one priority. While EITS had a lot of demands upon it, Mr. Wright said there needed to be assurances that EITS would be available to maintain the system.

Chair Anderson said he had been receiving updates on the consolidation process for DPS. He said he looked forward to more agencies following the Department's lead.

Senator Smith noted that there was a supplemental appropriation request regarding dignitary protection, but she wondered whether the Department had considered the upcoming presidential election. She remembered that during the last presidential election, there had been a sizable contingency fund approval and wondered whether that was considered in the Department's budget.

Mr. Wright informed Senator Smith the presidential election had been considered in the budget.

Senator Smith said she had a question about the last IFC meeting when the Department requested funds to purchase semiautomatic weapons for rural officers, but the Committee believed that decision should be part of a policy discussion. Senator Smith did not believe that request was included in the current budget, but she wanted that confirmed.

Mr. Wright confirmed that request was not included in the Department's budget and agreed that the request involved a policy issue. There were concerns about a Parole and Probation officer having a semiautomatic rifle, but Mr. Wright explained that rural P&P officers were often on their own and those weapons provided additional safety. However, the Department understood the concerns and withdrew the request. Mr. Wright commented that providing such weapons for rural officers might be revisited in the future.

Senator Smith commented that she believed the concern was not about the weapon, but about the role of a P&P officer and the possibility of assisting local law enforcement.

Connie S. Bisbee, Chairman, State Board of Parole Commissioners (Parole Board), presented the Governor's recommended budget for the State Board of Parole Commissioners.

Ms. Bisbee thanked Director James Wright and the Department of Public Safety (DPS) for providing administrative support for the Parole Board. She said that without the support the Board received from DPS, it could not function.

The Parole Board's agency goals were as follows:

- Conduct prompt, fair, and impartial hearings on parole applications and parole violation matters.

- Make maintaining the safety of the general public the top priority in the decision-making process.

Ms. Bisbee said there were only a few enhancements. The Parole Board had requested the addition of a management analyst 1 to administer the sex offender caseload. She said the Board had been hearing about the legal issues surrounding the Adam Walsh case for years, and it appeared that things were changing. She said even without the so-called Adam Walsh laws, managing the sex offender caseload was increasingly difficult. Ms. Bisbee said the Board was requesting the position to ensure that the Adam Walsh Child Protection and Safety Act of 2006 was being applied correctly for those particular offenders.

Ms. Bisbee said the other request was the Syscon Justice Systems Canada, Ltd. (SYSCON) program for the Nevada offender tracking information system (NOTIS). The Board used the Division of Enterprise Information Technology Services (EITS) through DPS, but it was also using the NOTIS system through the Department of Corrections (NDOC), which was where the parole module existed. The NDOC had made some changes to its system, and to keep the parole module portion current, SYSCON programming was required.

Ms. Bisbee had requested replacement of videoconferencing equipment and televisions used to conduct parole hearings. Parole violation hearings were held in person at High Desert State Prison, Northern Nevada Correctional Center, and Florence McClure Women's Correctional Center, but the regular parole hearings were held through video conferences with the different institutions. Ms. Bisbee said the equipment was approximately ten years old and required more and more repairs.

The last funding request by the Parole Board was for hearing representatives. Ms. Bisbee explained that hearing representatives were able to relieve some of the caseload burden for the commissioners. The agency had been using forfeiture funds to pay hearing representatives, but those fees were going away.

Ms. Bisbee commented that each of the requests, while small, were instrumental to the function of the Board and were needed to continue doing the job.

Ms. Bisbee referred to page 31 of Exhibit E, "Board of Parole Commissioners Caseload (FY 14-FY 17)," which identified the different types of hearings, the actual caseload for FY 2014, and the projections through FY 2017. Ms. Bisbee noted the Parole Board typically had more discretionary and mandatory parole hearings than the projections stated, but the figures evened out over time. There was not much difference between the JFA Institute projections and actuals. The Board conducted over 8,000 different hearings a year, including regular discretionary parole hearings, mandatory parole hearings, and revocation hearings. Ms. Bisbee stated that the Parole Board was also responsible for lifetime supervision hearings and setting conditions for parole, as well as placing a member on the tier reconsideration panel.

Ms. Bisbee stated that while the Board did not have any bill requests, it was supporting some requests from the Department of Corrections and the Division of Parole and Probation.

Assemblywoman Kirkpatrick requested that the Parole Board provide a comparison between the projection numbers and actual hearings and Ms. Bisbee agreed to provide that information.

The meeting recessed at 11:53 a.m. and reconvened at 1:30 p.m.

Rudy Malfabon, P.E. (Professional Engineer), Director, Department of Transportation (NDOT), presented Exhibit F, "State of Nevada, Department of Transportation, 2015-2017 Biennial Budget Overview, January 28, 2015."

Mr. Malfabon referred to the summary of agency operations shown on page 2 of Exhibit F and said NDOT maintained approximately 5,400 miles of highway and 1,154 bridges. The state highway system carried over half of the traffic in Nevada and was invaluable to Nevada's economy. Mr. Malfabon said it was important to keep that system in good repair.

The State Highway Fund was created in the *Nevada Constitution*, Article 9, Section 5, and the funds had to be used for the maintenance, repair, and construction of public highways.

Page 3 of Exhibit F covered NDOT's mission, vision, and goals. Mr. Malfabon said NDOT wanted to be responsive to customers, use innovative processes, and be the employer of choice for its employees. The Department also wanted to preserve and manage assets and, therefore, the existing system had to be maintained at a certain level to operate efficiently.

Mr. Malfabon said NDOT's budget philosophy was to be fiscally responsible and conservative in approach, but NDOT also recognized that the budget had to put emphasis on economy, efficiency, and safety. Economic development was considered as projects were conceived and delivered. According to Mr. Malfabon, the Department wanted to optimize federal funding because it was a critical piece of Nevada highway funding.

Mr. Malfabon said NDOT was a large agency of approximately 1,780 full-time-equivalent (FTE) employees, with approximately three-quarters of the staff focused on the key areas of construction and maintenance to deliver highway projects. The rest of the staff provided support functions such as other modes of transportation, operations, emergency management, general administration, and communications. The Department also hired seasonal employees.

Referring to page 6 of Exhibit F, "Maintenance and Support Personnel Locations," which showed the 51 maintenance stations in the state, Mr. Malfabon said he was often asked why NDOT did not consolidate or eliminate some of the stations to save money. He said that had been discussed in the past, but the mountain passes presented a problem with winter maintenance. Those passes had to be maintained with snow plowing equipment always available because a snow storm could hit in any area.

Page 7 of Exhibit F contained pie charts demonstrating obligations in rural and urban areas. In 2014, the bulk of capacity projects, or projects that added interchanges, new bridges, or lane widening, occurred in Clark County.

Mr. Malfabon stated that preservation projects, costing $133.5 million, tended to be conducted in the nonurban areas of the state, because that was where most of the lane miles of state highways were located. Other projects included image, safety, and operations improvements, such as intelligent transportation systems, architectural projects, and hydraulic and drainage projects. Clark County received 71 percent of the $492.2 million in total project funding in Fiscal Year (FY) 2014.

Mr. Malfabon said page 8 of Exhibit F showed that from 2010 to 2014, 72 percent of the capital improvement money went to Clark County for capacity projects. The five-year spending total of $2.2 billion showed Clark County receiving 45 percent, nonurban receiving 40 percent, and Washoe County receiving 15 percent. Mr. Malfabon indicated the five-year pie chart provided a better picture of spending for the capital improvement program.

The Department of Transportation, a State Highway Fund agency, received revenue from the Highway Fund, as did other agencies such as the Department of Motor Vehicles (DMV) and the Department of Public Safety (DPS). Mr. Malfabon stated NDOT worked together with those agencies to review projections and met quarterly with the Legislative Counsel Bureau (LCB) to review numbers and ensure that a healthy Highway Fund balance was being maintained. The Department maintained a minimum Highway Fund balance based upon approximately six weeks of capital payments, outlays to contractors and design consultants, and right-of-way expenses. Currently, the Federal Highway Administration, U.S. Department of Transportation, gave back revenue from the federal fuel tax, but the states were receiving higher amounts of money for highways than the federal government was receiving from the federal gas tax. Mr. Malfabon said loss of federal funds was something that could possibly occur, but was unlikely.

Mr. Malfabon said NDOT wanted to maintain prudent balances in the Highway Fund of $166.5 million in FY 2016 and $118.7 million in FY 2017.

The gasoline tax was collected at the pump. The federal portion was 18.4 cents per gallon, and the state portion was approximately the same. The chart on page 10 of Exhibit F showed the history of the gasoline tax, but since 1995 there had been no appreciable change in state or federal gas tax collections. Mr. Malfabon said that when gas prices were down as low as they had been, there would be a commensurate increase in miles driven, but in the winter, people drove less. The Department expected a slight increase in fuel tax revenue because of the current gasoline prices.

Mr. Malfabon explained the special fuel tax was primarily on diesel fuel, but it also applied to propane and compressed natural gas when used for travel on roads. The chart on page 11 of Exhibit F provided the breakdown between the state tax of 27.75 cents per gallon and the federal tax of 24.4 cents per gallon. The tax rates had not increased since 1995.

Page 12 of Exhibit F showed the effect of electric/hybrid vehicles on fuel tax revenue. Mr. Malfabon said that would be an issue for the future. Currently, because the majority of vehicles were powered by traditional fuels, the fuel tax revenue was enough. However, on the chart, the blue line showed that the miles per gallon people were receiving in fuel efficiency was rising, but the amount of revenue, the red line, was remaining flat. The Department had been studying what type of business model was right for the movement toward more fuel-efficient vehicles, hybrid vehicles, and electric vehicles. Technically, electric vehicles were paying the power company for charging up, but the vehicles used tires and other taxable items that generated revenue for the State Highway Fund.

Mr. Malfabon said he wanted to explain how the Federal-Aid Highway Act of 1956 worked. The federal Highway Trust Fund apportioned funds into certain categories of programs, such as National Highway Performance, Surface Transportation, Congestion Mitigation and Air Quality Improvement, and Highway Safety Improvement. Mr. Malfabon said in some of the major categories of funding, such as the Surface Transportation program, some of that money flowed to NDOT. In turn, NDOT had to pass funding on to some of the metropolitan planning organizations, such as the Regional Transportation Commission (RTC) of Washoe County and the Regional Transportation Commission of Southern Nevada. These planning organizations received federal funding as a pass-through from NDOT, with the bulk of it going to some recipients in the Surface Transportation program and Congestion Mitigation and Air Quality Improvement program. Congestion mitigation and air quality primarily concerned Clark County and Washoe County because those two areas of the state had air pollution problems.

Mr. Malfabon said the federal Highway Trust Fund was a reimbursable program, meaning that the state paid state funds for construction and other projects and then bills were submitted to the federal government for reimbursement. As Mr. Malfabon had said earlier, because there was a large amount of federal land in Nevada, it received the top rate for the lowest amount of matching state funds.

Assemblywoman Kirkpatrick commented that federal government transportation dollars were tapering off, and she wondered how that affected Nevada for the longer term.

Mr. Malfabon responded that so far, NDOT had not experienced a downturn in federal funding. Congress authorized the amount of federal funds to the state departments of transportation a few years ago, and the authorization level to the states had been consistent. The federal gasoline tax was not generating enough money, but money had been transferred from the federal general fund to the federal Highway Trust Fund to make up the difference. That transfer had been made several times, but there was no appetite to continue the subsidy, so Congress would be having discussions, and by the end of May 2015, NDOT should know how the federal government would make up for the gap in funding. Mr. Malfabon said the difference between federal revenue collected and what had been authorized for the states to spend was roughly 30 percent.

Assemblywoman Kirkpatrick asked whether it was Mr. Malfabon's opinion that the Legislature needed to consider stabilizing the State Highway Fund in the near future.

Mr. Malfabon said NDOT had been conservative in its approach to funding projects and had a healthy trust fund balance. A couple of years ago, there was approximately $35 million in the fund and that was too low. The value of the State Highway Fund had been increased, and it was believed that even with the USA Parkway being state-funded and Project NEON being partially state-funded, it was safe to go forward with those projects. Mr. Malfabon said the Governor's recommended budget anticipated bonding for those projects. Bonding did not require repayment in one lump sum, so that was the best approach for a large project. He noted that Project NEON was being done in addition to the regular annual work program.

Mr. Malfabon added that the Department watched actions by Congress carefully and could make adjustments as necessary. If federal funding dropped off by 30 percent, it would be significant, but Mr. Malfabon believed NDOT could cut back on the federal program by making appropriate cuts to federally funded projects. However, the state-funded program, which was used primarily for preservation projects, would still have money, because the amount of revenue generated by the state would not be affected.

Assemblywoman Bustamante Adams referred to page 12 of Exhibit F. She said in the last legislative session, NDOT proposed a pilot program for the study of vehicle miles traveled (VMT), and she wondered whether the pilot program was completed.

Mr. Malfabon explained that the agency was completing phase 1 of the VMT study and was expecting a draft report of the phase 1 findings in February 2015. The Department was preparing a final report that would be presented to the Board of Directors of the Department of Transportation (Transportation Board). Initial findings indicated many vehicle owners did not want black boxes in their vehicles, so NDOT was attempting a simple approach to transitioning. Mr. Malfabon said he presumed the transition would take ten years, but the transition needed to be driven nationally, not just by one state. There were some challenges because no one wanted to pay their equivalent fuel tax revenue all at one time. Mr. Malfabon said NDOT was attempting to find a simple way to charge drivers, such as monthly or quarterly invoicing. Those determinations would be in the report along with some recommendations. The Department estimated the transition would take ten years to implement, and Mr. Malfabon was hopeful that by then it would be viewed as a national policy for road tax collection.

Chair Anderson commented that he was pleased NDOT was looking so far into the future.

Assemblyman Hickey wondered whether the study would consider abatements that were given to energy friendly vehicles. Mr. Malfabon replied that those abatements had not been considered in phase 1 but could be in phase 2 of the VMT study.

Mr. Malfabon continued with his presentation and referred to page 14 of Exhibit F, which explained how the Federal-Aid Highway Program worked. Transportation was not subject to government shutdown; however, general fund agencies at the federal level were affected. There was a slight problem with some of the other travel modes, such as transit, but a federal shutdown did not affect highways because of how the funding authorizations worked. Mr. Malfabon said the program was authorized in multiyear chunks, which was deemed to be more reliable. A highway funding budget was approved each year within the appropriations process in Congress. States were informed how much funding would be released and the obligation limit that controlled the rate at which the funds were used. Mr. Malfabon mentioned that the most recent authorization was the Highway and Transportation Funding Act of 2014, which continued funding through May 2015.

Mr. Malfabon said that NDOT managed its federal funds very well and had two opportunities to receive monies other states had not used. The Federal Highway Administration redistributed money so that it committed all of its funds each fiscal year. On average, Nevada had received approximately $12 million per year over the last 11 years from other states that had not spent their obligation limitation funds.

Mr. Malfabon referred to page 16 of Exhibit F, entitled "State Highway Fund Revenue Sources, 2015-2017 Biennium." The chart showed the amount of revenue Nevada was projected to receive from motor fuels gasoline taxes, special fuels taxes, and other motor vehicle fees and taxes, which totaled approximately $450 million. The federal aid reimbursement was approximately $320 million. The miscellaneous revenue and receipts by DPS and DMV was projected to account for roughly $50 million in revenue in FY 2016 and $54 million in FY 2017 from the three Highway Fund agencies. The total revenue and receipts was projected to be approximately $1 billion in revenue each fiscal year.

Page 17 of Exhibit F showed the expenditures and disbursements by NDOT for the 2015-2017 biennium. Mr. Malfabon said most of the expense went to personnel because NDOT had over 1,780 employees. Those personnel worked on the Federal-Aid Highway Program on engineering, maintenance, and operations. Capital improvements received the largest amount of State Highway Fund expenditures and disbursements at $418,350,000 each year of the biennium.

The bottom of page 17 showed the Consolidated Bond Interest and Redemption Fund. Mr. Malfabon said there were currently-issued bonds that were being paid off, but there was remaining capacity of approximately $250 million to be used for Project NEON. The Interim Finance Committee (IFC) had approved a $100 million expenditure for the Project NEON right-of-way acquisition. Mr. Malfabon commented that money was reserved for that project, but there was still capacity available.

"The Budget Request by Activity," page 18 of Exhibit F, showed that the bulk of the budget request was going to construction, maintenance, and project delivery, which also included right-of-way acquisition. Mr. Malfabon said smaller requests were for equipment repair and maintenance, fleet management, and other modes of transportation, because NDOT handled rural transit with federal funds, whereas the RTCs handled transit within their urban areas.

Mr. Malfabon noted that the funding request for general administration and personnel and payroll, along with fiscal and information technology, was low.

Page 19 of Exhibit F, "Priorities and Performance Based Budgeting," demonstrated that the bulk of funding was related to infrastructure and communication and to a lesser extent to public safety, resource management, and business development and services.

Pages 20 and 21 of Exhibit F provided detail regarding performance measures. The Department had performance measures for its various activities, which were tracked, and the idea was to show the public, the Legislature, and the Transportation Board where the money was being spent. Mr. Malfabon mentioned that the Federal Highway Administration was currently designing federal performance measures to be used by state departments of transportation.

Page 22 of Exhibit F provided detail regarding the NDOT capital program. Mr. Malfabon said the overall program, as previously noted, was roughly $418 million in each year of the biennium. The ongoing programs were safety, congestion mitigation, pavement preservation, and asset management.

Mr. Malfabon explained that stewardship, also an ongoing project, referred to working with local agencies to deliver projects in other areas. Environmental issues were unique across the state, such as the desert tortoise in southern Nevada, the storm water program, and water quality at Lake Tahoe.

The 800 MHz radio system was an ongoing project as well as other expenditures related to planning. Mr. Malfabon said the quality of rest areas concerned the public. The Department wanted to reconstruct a couple of the highest use rest areas. Transportation Alternatives was a federal program to improve access to federal lands. The Department was working with Central Federal Lands and the Federal Highway Administration regarding transportation.

Continuing, Mr. Malfabon said NDOT had received many compliments about the freeway service patrol. When a vehicle broke down on the freeway, it affected the movement of traffic, which was the reason for the program. The patrol was in constant use in Reno and Las Vegas where there was congestion during the rush hours. Mr. Malfabon said the patrol was not a true motor-assistance program: it was used to keep traffic flowing and aid disabled vehicles.

Assemblyman Oscarson requested an update on the 800 MHz radio system.

Mr. Malfabon stated that the 800 MHz radio system had reached its end of life, and the current service provider would no longer provide support. The radio system was used by law enforcement agencies throughout the state and not just by NDOT. The agency had embarked on a needs assessment with law enforcement agencies and other users, such as NV Energy. Mr. Malfabon believed the assessment report would be available within the first few months of the year. The Department was looking at options for leasing radios and studying how to pay for the system. Mr. Malfabon said NDOT would consider the needs of all the public safety agencies that relied on the system. It was a very critical communication system that had to be secure because of law enforcement use. He said more information would be provided during the legislative session.

Assemblyman Oscarson commented on how critical the system was in some of the rural areas.

Assemblyman Sprinkle commented that there had been several vehicle-versus-pedestrian fatalities lately in northern Nevada. The local news media had reported that several of the nonhighway streets where the fatalities had occurred were maintained by NDOT and not by the local jurisdiction. Assemblyman Sprinkle asked how the Department went about maintaining the lesser streets.

Mr. Malfabon stated that NDOT received about $20 million in safety funds from the federal government. The Federal Highway Administration required NDOT to put together a plan with emphasis areas. The areas of emphasis that NDOT had identified were run-off-the-road crashes, impaired drivers, pedestrian safety, and recently, motorcycles. Mr. Malfabon said the Department worked in collaboration with law enforcement regarding safety measures.

Mr. Malfabon noted the press coverage recently about the tragic pedestrian fatalities at Bonanza Casino in Reno. He said it was a problem that NDOT took seriously. There had been 72 pedestrian fatalities in 2014, with 50 in Clark County and 12 in Washoe County. Typically, the Department conducted road safety assessments using a multidisciplinary team that reviewed various roads in collaboration with maintenance, law enforcement, and local agencies. Mr. Malfabon emphasized that the federal safety money was not limited to just state highways, but could be used for any of the federally classified roads, so local governments had received federal safety money.

The Department compiled a list of suggestions and recommendations, which went through the process of "scoping," to determine the cost of each job. The assessment was given to a maintenance crew to perform whatever was required, such as trimming bushes blocking a stop sign or replacing a faded sign. The projects that required more effort to deliver as a project went through the process of preservation or repaving. For example, on US Highway 50 near Mound House, repaving had been completed last summer, as well as safety improvements that expanded the barrier rail down the middle of the road and improvements to some intersections.

Mr. Malfabon commented that some projects, such as the request from the general manager at the Bonanza Casino for installation of a signal, were more difficult to deliver. Traffic signals had to meet national standards, and NDOT was careful to follow those standards. An assessment was being performed for the location on North Virginia Street in Reno. Mr. Malfabon believed the Department could install a better warning system at the Bonanza Casino, where there was already a pedestrian push button with alternating lights. He was considering the installation of a more advanced warning, similar to the signals with the rapid rectangular flashers used on Stewart Street in Carson City.

Mr. Malfabon referred to highlights on the bottom of page 22 of Exhibit F, which listed major projects anticipated in the next four years. Project NEON would widen Interstate (I)15 in Las Vegas from Sahara to just past the spaghetti bowl and include a direct connection bridge to connect the carpool lanes or High Occupancy Vehicle (HOV) lanes on US Highway 95 to the express lanes on I-15. The HOV lanes on US Highway 95 were not being used to capacity because of the lack of connectivity at the I-15 spaghetti bowl.

Regarding the Boulder City bypass, Mr. Malfabon said NDOT had received a bid for its portion of the job, so the project should be awarded by the Transportation Board. The RTC of Southern Nevada would be doing its portion, which was the bulk of the project, by spending approximately $250 million for what was called a design-build project.

The USA Parkway project would be a design-build project. Mr. Malfabon explained that "design-build" was a process where the design was brought to partial completion, such as 30 percent, and the contractor hired an engineering company, which was the design-build team that finished the design. The traditional approach was to design the project 100 percent, but that approach left no room for innovation or cost and time savings. There was a prequalification process ongoing for USA Parkway. The Department hoped to have the project contract awarded in 2015, under construction for the next couple of years, and finished by the end of 2017.

Mr. Malfabon informed the Subcommittee that the Carson City bypass was going out for bid in February 2015. The project needed to be built, but an interchange at US Highway 50 and US Highway 395 on the south end of Carson City was cost-prohibitive at the present time and had been reduced to a paving project for an intersection that included triple left turns going south on Highway 395. Mr. Malfabon said it was an easier and more economical way to get the project delivered and traffic off of Fairview Drive back on US 395 and US 50.

Senator Smith asked whether the Department was conferring with the Division of Tourism on rest areas.

Mr. Malfabon said NDOT was working with Claudia Vecchio, the Director of the Division of Tourism, Department of Tourism and Cultural Affairs, and wanted to have something at rest areas that spoke to what to see in Nevada, particularly rural Nevada. He commented that rural tourism was important and travelers liked having that type of information available. There were welcome centers at the entry points to the state in the north and south, but NDOT wanted to have world-class facilities for rest areas. He said nice rest areas also helped with safety because drivers who were fatigued could rest or catch a nap. The first remodels would be at the Beowawe and Trinity rest stops, which received the highest use. The Department had plans to expand the rest area program to Millers, near Tonopah on US 95, and also to Pahranaget Lake on US 93.

Senator Smith remarked that she had more complaints from constituents about the amount of money being spent to acquire the right-of-way for the USA Parkway than anything else. She wanted to know whether the $70 million to $75 million price tag included the purchase of the right-of-way plus the construction or just the construction.

Mr. Malfabon replied that the $70 million to $75 million was for the design-build construction project, and it covered the construction and the engineering required to finish the design. He said $43 million covered right-of-way and also a portion of the improvements made to the existing roadway for the paved portion of the USA Parkway. The $43 million also paid the developer of the Tahoe-Reno Industrial Center for that amount of investment in USA Parkway. Mr. Malfabon said the state would take the USA Parkway over as a state highway from the interchange on I-80 to US 50.

Senator Smith asked whether it was typical for the state to spend that kind of money on that type of acquisition.

Mr. Malfabon stated that when acquiring rights-of-way, it was typical to pay private owners for their property. This acquisition was not typical, because the state was paying for improvements to an industrial center that had regional significance. However, the USA Parkway project had a 9 to 1 benefit to cost, mainly because of the time savings. He explained that if there was a freight mover on I-80, it could cut across once the USA Parkway was finished and the benefit to cost was calculated on time savings and less wear and tear on vehicles. Mr. Malfabon pointed out that the USA Parkway project was significant enough to call for a special legislative session to approve incentives for Tesla, but more significant was the amount of employment that industrial center generated. Mr. Malfabon said Mayor John Lee of North Las Vegas was looking into the same economic considerations for the Apex Industrial Park in North Las Vegas

Page 23 of Exhibit F showed $250 million budgeted for Project NEON spread out over FY 2016 and FY 2017. Mr. Malfabon said the project would be funded through a bonding program. Project NEON had been switched from public-private partnership to bonding because it was more cost-effective for the Department. According to Mr. Malfabon, some things learned after the sale of the right-of-way bonds for Project NEON were how to acquire an AAA rating, how to structure debt payments to pay interest only, and after paying off other series bonds, how to stay under a reasonable debt limit.

Mr. Malfabon noted on page 24 of Exhibit F, "Project NEON Information," the red line showed that the area where Project NEON was going had the highest crash rate of urban freeways in Nevada.

The project benefits were as follows:

- Safety and congestion improvements—to reduce the 1,000 crashes per year.
- Connectivity/mobility—for city redevelopment efforts.
- Congestion improvements—for freight mobility and economy.
- 5,000 jobs created—needed in hard-hit employment sector.
- Southern Nevada economic growth—needs twenty-first century transportation system.
- Positive benefit/cost ratio—5.8 to 1 (exponential improvement).

Mr. Malfabon stated that the Department had some major budget initiatives that needed to be discussed. There were serious problems with the statewide fueling system. The system often did not work in the maintenance facilities, which was partly because of aging control systems. As Mr. Malfabon had said previously, it was not just NDOT using the fueling system; the Department of Public Safety relied on it as well as many state and local agencies. The possibility of leaking underground fuel storage tanks was a concern, and the Department wanted those tanks above ground to reduce the risk of contaminating ground water. Mr. Malfabon said the fuel system overhaul would be addressed in a four-year program.

Mr. Malfabon mentioned the shared radio system and the budget request for additional radios. Page 26 of Exhibit F named some of the other users, such as the University of Nevada Las Vegas (UNLV) and NV Energy, along with the more well-known agencies, such as the Department of Public Safety (DPS), local police, and the Nevada Highway Patrol (NHP).

Page 27 of Exhibit F addressed the replacement of mobile and fleet equipment. Mr. Malfabon said the Department kept the "workhorse units" repaired and did not replace them until they reached a certain age and mileage. Other types of equipment, such as sweepers, had to be replaced more often because they did not last long and they were very important in nonattainment areas for air quality, such as in Washoe County and Clark County. The sweepers had high-level filters to catch particulates and avoid contaminating the air when sweeping up the roadways. Mr. Malfabon said the sweepers were very costly, accounting for a large share of equipment money. Other new equipment being requested included computers and culvert cleaners.

The high-speed profiling system was a way to measure pavement smoothness, which was a requirement for contractors on construction projects. Mr. Malfabon explained it was quicker and safer to check pavement smoothness with a profiling system than the old system that read pavement smoothness directly from the pavement.

Tow plows were attached to the workhorse trucks, and Mr. Malfabon explained that a tow plow was distinctive because it could swing out and plow the main lane and a shoulder at the same time. One truck operator could plow two lanes at one time with a tow plow, which made it very useful.

Mr. Malfabon said the Department was trying to open a co-located office for Project NEON close to the project, and there were expenses for additional computers and office equipment.

Page 29 of Exhibit F listed requests for funding for maintenance of buildings and grounds. Improvements in Districts 1, 2, and 3 concerned maintenance facilities. In some cases, modified pieces of snow-plowing equipment could not be repaired in the present maintenance bays because of the width of doors in the older buildings. Mr. Malfabon said the plan was to widen those maintenance facilities to accommodate some of the larger equipment. Some minor improvements were requested for the West Wendover Welcome Center.

The new statewide storm water program had been initiated for environmental compliance. In maintenance facilities, the Department would be making an effort to capture water from truck washing to prevent it from entering the regular storm drain system where it could contaminate waterways.

Page 30 of Exhibit F showed the request for salary increases for the communications director and the administrator of the External Civil Rights Division that operated the Disadvantaged Business Enterprise (DBE) program related to minority contracting. Mr. Malfabon said the DBE was a federal program, and DBE goals were required for federal aid projects, as well as state projects. While the programs were in place, the right salaries were needed for employees who were critical to managing the programs.

Last but not least, the Department wanted to transfer two full-time programmer positions to NDOT from EITS.
Mr. Malfabon said that concluded the prepared remarks from the Department of Transportation.

Assemblywoman Titus requested clarification regarding the administrator of the External Civil Rights Division. She was aware that federal dollars were earmarked for specific programs and could only be used in specific places, but she did not understand how that worked with the percentage of money being spent.

Mr. Malfabon stated that approximately half of the Department's program was federal funds, roughly $320 million. He explained that the administrator of External Civil Rights Division at NDOT managed not only the minority contracting program, but also Title VI of the Civil Rights Act of 1964. Any recipient of federal funds had to agree to take all necessary steps and document all processes to show there was no discrimination and that efforts were made to prevent discrimination. Mr. Malfabon explained that if a project affected low-income residents, the Department had to ensure that those residents were being treated fairly and were relocated to appropriate housing.

According to Mr. Malfabon, Title VI was very important and required a lot of record keeping. When the Department had public hearings, for instance, it had to ensure that everybody was served and communicating. If Spanish-speaking residents were affected, the Department had to provide print materials in Spanish and a representative who spoke Spanish at public meetings.

Mr. Malfabon said the administrator in the External Civil Rights Division worked with the Communications Office on those types of problems. There were many different areas where the federal government required documentation, such as wage rates, Davis-Bacon compliance, certified payrolls, and hourly wage rates for employees used by the contractors on NDOT projects to ensure the employees were paid proper rates.

Assemblywoman Titus asked whether NDOT received federal funds for the External Civil Rights Division.

Mr. Malfabon said the Federal Highway Administration would not pay for staff positions that supported administration of the program. Federal funds went to capital improvement, engineering, right-of-way purchasing, and construction.

Assemblywoman Titus noted that Senator Smith had asked about the cost of purchasing the right-of-way for the USA Parkway, and she also had questions about Project NEON and the price for purchasing some of that property.

Mr. Malfabon said there were multiple phases for Project NEON, and $100 million was budgeted for phase 3 and phase 4. Phase 2 was the City of Las Vegas portion, the Martin Luther King Bridge over Charleston Boulevard, and the city was reimbursing NDOT. Mr. Malfabon stated the Department had a lot of property to acquire for phases 3 and 4 and was currently on track, but much more needed to be done. A federal regulation called the Uniform Act regulated how a state agency acquired property for a federal aid project. The property for acquisition had to be identified to determine whether it was a partial piece or the full property or a temporary or permanent easement. After the appraisals were completed, they were reviewed by an appraisal reviewer and then offers were made to the property owners. Negotiations took place regarding the price, and sometimes attorneys were hired to negotiate, but usually for residential property right-of-way, agents handled negotiations directly.

According to Mr. Malfabon, Project NEON was currently on budget. Phase 1 of the project had a certain amount of funding set aside, and now the Department was moving on to phases 3 and 4, right-of-way acquisition. Some properties had been purchased, but there were over 100 parcels to acquire. The project carried a huge footprint; several miles on both sides of the freeway were affected. Mr. Malfabon was aware that some of the property acquisition cases were going to court; unfortunately, that produced legal expenses. However, it was important to have legal support because eminent domain law was a unique area of practice.

Chair Anderson commented that the longer the property acquisition took, the more expensive that property would become.

Assemblywoman Kirkpatrick requested a breakdown, county by county, of where the fuel tax was generated and what portion went to NDOT. Mr. Malfabon said he would provide that information.

Assemblyman Edwards requested that the lead contractor for Project NEON meet with him in the near future, and Mr. Malfabon said he would pass along the request.

Assemblyman Oscarson said he wanted to compliment NDOT for repairing the flood damage on I-15 in Las Vegas. He had driven the road recently and thanked Mr. Malfabon and the Department for repairing the damage so quickly and competently.

Mr. Malfabon thanked Assemblyman Oscarson and said it was a testament to Mary Martini, the District I engineer, her maintenance staff, and the contractor, Las Vegas Paving. He said a huge amount of damage occurred from two storms.

Chair Anderson recessed the meeting at 2:47 p.m. and reconvened at 3 p.m.

Chair Anderson welcomed the Department of Business and Industry to the Legislative Commission's Budget Subcommittee hearing.

Bruce Breslow, Director, Department of Business and Industry (B&I), submitted Exhibit G, "Executive Budget, Department of Business and Industry, 2015-2017 Biennium."

Mr. Breslow observed that this presentation was typical of the presentation in other years. There were three major initiatives, with the rest of the budget being standard.

Mr. Breslow stated that the Department of Building and Industry was made up of 13 different state agencies, offices, and divisions as follows:

- Division of Financial Institutions
- Division of Insurance
- Housing Division
- Real Estate Division
- Division of Mortgage Lending
- Division of Industrial Relations (occupational safety and health)
- Nevada Athletic Commission
- Taxicab Authority

- Nevada Transportation Authority
- Office of Labor Commissioner
- Manufactured Housing Division
- Office of the Nevada Attorney for Injured Workers
- Local Government Employee-Management Relations Board

The Department also included 670 employees, 16 boards and commissions, and 10 advisory committees. Less than 2 percent of funding came from the State General Fund. If the Department's budgets were approved as the Governor recommended, projected funding from the State General Fund would drop to 1.55 percent in Fiscal Year (FY) 2016 and 1.65 percent in FY 2017.

Mr. Breslow said the Governor's priority project was the Nevada State Business Center, which the Governor had announced in his State of the State Address. The Nevada State Business Center was a building proposed for the downtown Las Vegas area and was a one-stop shop to centralize 11 agencies, a couple of nonprofits, and many business programs. The new building would reduce the footprint and the cost of services through the sharing of facilities. Mr. Breslow noted 11 agencies were housed in many different buildings around Las Vegas. The Taxicab Authority would stay put because it was moved into a new building last session, and the Nevada Attorney for Injured Workers (NAIW) had to stay near the hearings office. The 11 other B&I agencies would be moved to the new proposed building. Mr. Breslow explained the average square foot per employee dropped significantly in one building, and additionally, management would be streamlined.

Mr. Breslow said information technology (IT) had been a problem for B&I, with three IT professionals driving all around the Las Vegas Valley trying to fix computer problems. The new building would also create space for agencies and nonprofits that supported small businesses, such as the U.S. Small Business Administration (SBA), Nevada Small Business Development Center, and SCORE, so various resources to support small businesses would be centralized in one place.

Mr. Breslow said the agency might never have an opportunity like this again because 11 of the building leases were expiring in the next biennium, most in 2016. He stated there were two choices, with the first being to maintain the status quo. There were three agencies housed in the Bradley Building, which was 40 years old. Two years ago, according to a study, the Bradley Building required $5.5 million in deferred maintenance and over $3 million in emergency maintenance that had to be completed within the next two years. Mr. Breslow said two years later, that emergency money was not delivered, and the maintenance work on the Bradley Building had been limited to painting. The building had been broken into four times in the past six months, three of them major burglaries, with most of the doors in the building knocked down and file cabinets destroyed. Twice, the sewer backed up onto the floors, which had closed the building, once for two days and another time for several hours. The air conditioning and the heating had continued to fail, and pipes needed to be replaced.

Mr. Breslow stated the Governor was proposing a one-time appropriation of $1.5 million in moving costs to bring all 11 agencies to a centralized Business and Industry operation. He said because of the reduced footprint in a new building and because all of the current leases would be increasing, the rent for the new building would be about the same. The Department had performed a study on the rents, but an investment in moving costs would be required.

Mr. Breslow said the Department was not requesting a capital improvement program (CIP) project, because there was no CIP funding. The Department had issued a request for information (RFI) for a specific building to developers in Las Vegas asking the cost of a full-service lease. With the RFI, the Department had been able to build the cost into its budget.

Next, the Department would issue a request for proposal (RFP) to developers in southern Nevada for a design-build or retrofit building project. Mr. Breslow said a private developer would design-build a new building or retrofit an existing building, and the state of Nevada would lease the facility, which would reduce the cost to the state while centralizing business solutions in the Las Vegas Valley.

Senator Roberson asked whether the state would attempt to sell the Bradley Building.

Mr. Breslow replied that the recommendation from the State Public Works Division, Department of Administration, for the past ten years had been to destroy the building and scrap the site. The problem was that the Bradley Building could not be demolished and rebuilt next door because that was where the new Department of Motor Vehicles (DMV) building on East Sahara Avenue was being built, and then the old Sahara building would be knocked down. It would take approximately six years before a replacement for the Bradley Building could be built. Mr. Breslow said he believed the consolidation of agencies and a long-term lease was faster and more cost-effective.

Senator Roberson asked whether the Department would build a new building on the Bradley Building property in six years even if the Department leased a building for the Nevada State Business Center.

Mr. Breslow replied that would be a decision made by Public Works and the Legislature, but the recommendation was to take the Bradley Building down. He reiterated that the building served no purpose as it existed today.

In response to a question from Senator Roberson about the value of the land, Mr. Breslow said that was determined by Public Works.

Terry Reynolds, Deputy Director, Programs, B&I, commented that the Richard H. Bryan Building in Carson City was almost the same size as a building B&I would have built and leased back, and the total cost of that building was slightly over $40 million with financing.

Senator Roberson said the reason he had asked the question was that he wondered how the state would recoup some of the value of the land and improvements from the Bradley Building. However, it sounded as though it would cost money to get rid of the building.

Mr. Breslow remarked that only the Grant Sawyer State Office Building and the Bradley Building were owned by the state; the rest were leased facilities located in various parts of the valley.

Mr. Breslow continued his presentation and said the proposed Nevada State Business Center building would provide the Department space to combine the customer service performed in the Director's Office with the Consumer Affairs Unit. The Department of Education had indicated the need for some additional space, so that was programmed into the proposal, as well as space for business support agencies.

Mr. Breslow commented on charter school bonds that the Legislature had approved. The first bond issue was going to the State Board of Finance in March and there were others to follow. All of the industrial revenue bonds for the state were processed through the Director's Office. Mr. Breslow said B&I had the New Market Tax Credit program, which was another program the Legislature authorized last session that was now in the process of closing loans for $200 million in new development.

The Department performed business advocacy with individual small businesses. Representatives met one-on-one with businesses, reviewed the business plan, recommended solutions, and provided access to capital and training assistance, particularly in the nonprofit sector. Mr. Breslow said a B&I roundtable was held every quarter with these groups to strategize and collaborate. A small business portal had been created at the B&I website, making the website a resource for information.

The Governor's Conference on Small Business had been held three times, twice in Las Vegas and once in Reno. This past year the conference was attended by 600 small business owners, and it provided face-to-face contact with government officials.

The Department provided access for educators to work with businesses on workforce development. Mr. Breslow said that instead of the educators telling business what the schools were going to provide, the Department asked businesses to tell the presidents of the universities what skills were needed in the workforce. Participants purchased booths that paid for the conference, and tickets were sold for $35 the first year and for $50 the second year. Mr. Breslow said no state funding was provided.

Mr. Breslow said constituent services had merged with consumer affairs. Last year, consumer affairs had tracked many complaints, with a 96 percent success rate in resolving complaints. The Department worked with the Office of the Attorney General (AG) to prepare a plan for consumer affairs. The Legislature had passed a law to suspend the consumer affairs agency several years ago, because there was no money in the General Fund. It was suspended again two sessions ago, and last session the Department was able to use dollars from the National Mortgage Settlement to fund a small consumer affairs unit. The actual division had been suspended by the Legislature, but a smaller unit was reinstated. However, a law to allow the unit to take action in certain cases was not. The Department had submitted a bill draft request (BDR) that would provide for causes of action for consumer fraud and deceptive trade practices. If approved, consumer affairs would employ an administrative law judge who could impose administrative fines. The cost of the program in each of the next two fiscal years would be $585,164, which would provide the following:

- Two investigators in Las Vegas
- Two administrative assistant positions in Las Vegas
- One administrative law judge in Las Vegas.
- One investigator in Carson City
- One part-time administrative assistant in Carson City

Mr. Breslow explained that an administrative law judge had been employed previously, but when it was discovered there was no applicable law to adjudicate the cases, that employee had been moved to another position. With the passage of the BDR, the administrative law judge would be able to again adjudicate consumer-related disputes.

Mr. Breslow said a couple of agencies in the Department were failing to meet the needs of their customers. One of those agencies was the Real Estate Division, which was partially funded by the State General Fund. The Division was also supported by the industry; fees were collected that went into the General Fund, and an amount of money was authorized to operate the agency. Mr. Breslow said B&I was proposing to change the Real Estate Division to the same model that most B&I agencies had, which was a self-funded, fee-based model: The industry provided the funding for the operation and the regulation. Industry growth would build a reserve, which B&I would present to the Interim Finance Committee (IFC) or the next Legislature and request additional funds, if needed. Mr. Breslow said he had not requested additional employees for the Real Estate Division because of the funding challenges faced by the state. There would be no effect on the General Fund with this proposal, because the fund continued to receive the same transfers that it had been receiving.

The Real Estate Division was responsible for the licensing and training of 26,000 real estate agents and brokers, 600 community managers, 300 appraisers, and various time-share agents. Mr. Breslow said he was only going to discuss the real estate side of the Real Estate Division. In 2009, the Division had massive budget cuts and went from 36 full-time employees to 15.8 full-time employees—a 56 percent cut in staffing. The budget cuts required the closure of the northern Nevada licensing office. In 2013, by using mortgage settlement funds, 9 employees were added back to the Real Estate Division. The Division had 25.6 full-time employees compared to 36 employees in 2009. Mr. Breslow stated that when the agency was not at the 2009 levels, the customer service provided was unacceptable. The industry was demanding more and better service from the agency, and it was willing to change to a fee-based, self-funded agency and increase its own fees.

Mr. Breslow said the Department had met with representatives of the associations, presidents of real estate companies, and various individuals, and a $10 fee increase for an initial license and a $20 increase for a renewal had been decided upon. The industry also requested a change from a four-year licensing cycle back to a two-year cycle. Mr. Breslow said it was difficult for licensees to comply with the educational requirements in a four-year cycle. It also allowed for a more predictable revenue stream. He was proposing that the General Fund and the agency receive the same amount of money, but with two changes: the small fee increases and the two-year licensing cycle. A self-funded agency would build a small reserve, and the Department was requesting a six-month reserve for the Real Estate Division in the hope that as it built reserves, some of its needs could be addressed. Mr. Breslow said the Real Estate Division had a three- to four-year backlog on investigations, which was unacceptable.

Mr. Breslow introduced Joseph Decker, the new Administrator of the Real Estate Division.

Assemblyman Hickey remarked that he was certain the agency would have testimony from industry representatives before the Assembly Committee on Ways and Means, because it would be important to understand the industry's willingness to generate additional fee revenue.

Mr. Breslow stated the proposal should not affect the General Fund in any negative way.
Assemblyman Hickey said he recognized that not having northern Nevada licensing impaired the activities of realtors. Many legislators had heard from constituents regarding the problem. Assemblyman Hickey said this appeared to be a good solution.

Mr. Breslow explained that potential licensees would fill in all their paperwork, their FBI background check would arrive, and it would still take three weeks for a license to be printed in one part of the state on a special kind of paper to be sent to the broker and displayed on the wall. Currently, a licensee could start business with just the receipt. Since joining the Division, Mr. Decker had instituted procedures to make licensing easier. Mr. Breslow said the main concern was finding a way for the Division to survive.

Assemblywoman Carlton commented that other agencies had changed to a fee-based plan, and she wanted to understand the conversations that had been held about making the change, because once that happened, changing back was very difficult. She maintained that there was only so much property to sell and questioned what would happen when the fees were not enough to support an important agency that was there to protect the public. She also commented that she was under the impression that the licensing period had already been changed back to two years last session.

Terry Reynolds, Deputy Director, Programs, Department of Business and Industry (B&I), stated the licensing cycle was still at four years. The Real Estate Division had conferred with both the Greater Las Vegas Association of Realtors and Reno/Sparks Association of Realtors about the licensing cycle. Because of the economy and because of upgrading the educational standards and keeping track of those standards, the real estate industry had almost unanimously requested a two-year licensing cycle. Mr. Reynolds said there was some confusion last session about changing from a four-year cycle to a two-year cycle; however, licensing was still on a four-year cycle.

Mr. Breslow commented that there had been unintended consequences. For instance, at one of the largest brokerages in Nevada, the main broker did not realize that in the middle of the four years—even though the Division sent out reminders and bulletins—he had to have all of the education certificates completed. Placing the main broker's license on hold kept 70 other agents from working. Mr. Breslow said the Division was able to expedite a solution, but it was that sort of thing that led to a lot of problems.

As for the future, Mr. Breslow said he hoped Nevada would not run out of land. However, like all other agencies, real estate would change and education would change. It was difficult to predict what was going to happen 6 years, 10 years, or 20 years down the road. Mr. Breslow said there might not be a Real Estate Division, but a new division that was required to do other tasks. He said that while new residential starts in Las Vegas had stopped for now, a lot more existing homes were coming on the market, and there were still people moving to Nevada. The state continued to grow, and 46,000 new residents had moved to Nevada last year.

Mr. Breslow referred to page 12 of Exhibit G, which addressed homeowners' associations (HOAs) and common-interest communities. The thousands of HOAs and common-interest communities in Nevada funded the Office of the Ombudsman for Owners in Common-Interest Communities and Condominium Hotels, which employed six investigators in Las Vegas and a part-time investigator in northern Nevada. The office had a three-year backlog, but the backlog had been four and one-half years until Mr. Decker joined the Real Estate Division and streamlined processes. Mr. Breslow stated the mediation program had no authority, and HOAs continued to build the caseload. The Division could not afford more positions with current funding.

Mr. Breslow said the fee the HOAs paid per door had not increased since 1998. To maintain the current level of service, the agency was proposing an increase in the per-unit fee from $3 to $4.25 per door. A BDR submitted by the Governor would increase the cap from $3 to $5 to allow future adjustments if necessary. Mr. Breslow said that a couple of legislators had approached him with an idea of moving the HOAs out of the state's purview and putting them under another political subdivision. He said it would be fine if the Real Estate Division went back to doing real estate and not arbitrating whether someone's door was the wrong color or somebody planted a tree or paint was chipping.

Mr. Breslow said the Nevada Athletic Commission was a world leader everywhere and Las Vegas was "title town." A world famous boxing match brought national exposure, major athletic events on national television, millions of dollars in tourism, and thousands of hotel room occupancies. Mr. Breslow said it was critical to maintain that status, but it was in jeopardy because other cities were competing for the big fights.

Mr. Breslow introduced Robert Bennett, Executive Director of the Nevada Athletic Commission. The Athletic Commission had the same five staff members that it had since 2005, including the Executive Director. The Commission also oversaw 800-plus nonboxing matches, such as mixed martial arts, amateur mixed martial arts, big knockout boxing, and the NBC Premier Boxing Champions series, which was 20 additional fight cards—200 fights with 400 fighters—with half proposed to come to Las Vegas. Mr. Breslow said those four staff members worked with Mr. Bennett on ensuring that there was fair competition and that the fights were not one-sided. The Commission selected referees and judges and examined records to determine if the officials had any controversy in their past. If the Commission made one mistake, it made national news. The Commission went through the prefight contracts, had conferences with all of the promoters and fighters, and staged a weigh-in, which was often nationally televised. The Commission licensed the fighters, the promoters, and the various persons who worked with them. The Commission prepared a prefight rules meeting with all of the promoters and all of the fighters. The Commission put on the fights, which were often on weekends and at night. The four staff members not only worked Monday through Friday, but weekends and nights as well.

Mr. Breslow opined that were it not for the fact that two of the employees have been there for 18 years and knew their jobs so well, not all of the work would be completed. A very small staff was handling all of the work and also preparing postfight evaluations; holding press conferences; and potentially, because of a demand from the industry, implementing an additional drug-testing program.

Mr. Breslow informed the Subcommittee that the 6 percent ticket surcharge, which was currently added to every fight ticket, brought in $5,334,498 in 2014. That surcharge would continue, and B&I was proposing to self-fund the Commission with an additional 2 percent ticket surcharge going strictly to the

Commission. That surcharge would allow the Commission to receive funds to build a reserve. Mr. Breslow said two major fights were being proposed to be held on May 2, 2015, in Las Vegas, with Floyd Mayweather at one hotel and Saul "Canelo" Alvarez at another hotel.

Senator Roberson said he had spoken to at least one member of the Nevada Athletic Commission who had echoed Mr. Breslow's remarks that the Commission did not have the funding to keep up with the increased volume and the ever-increasing cost of drug testing. He asked about the 2 percent surcharge and the amount B&I estimated it would provide on an annual basis.

Mr. Breslow responded that staff estimated that the 2 percent surcharge would meet the Commission's current need and build a six-month reserve if the Commission maintained the same number of fights. Currently, Floyd Mayweather brought in more money than others, but he had only two more fights left in his contract.

Mr. Breslow pointed out the surcharge did not provide the Commission with any more staff, but it gave a small increase to the inspectors who had not had a raise since 1977. Referring to the staff, Mr. Breslow said employees had not been able to file their paperwork in over a year; it stacked up on desks. The Nevada Athletic Commission did not provide a budget, because it had no fiscal staff. The Department had taken a vacant position at the Nevada Athletic Commission and changed it to a management analyst 2 position so someone could at least track the numbers, track the drug testing, and perform the projections and forecasting. The Department had requested a couple of additional positions for the Nevada Athletic Commission, but because of the state of the General Fund, the request was not approved.

Senator Roberson said he was looking for the estimated dollar amount to be generated.

Lisa Figueroa, Administrative Services Officer (ASO), Department of Business and Industry (B&I), said she did not have the exact dollar amount at this point. Referring to page 14 of Exhibit G, Ms. Figueroa said events held in 2014 generated approximately $5.3 million from the 6 percent surcharge, but she did not know the amount per event. She said she would be happy to provide the information.

Senator Roberson asked whether the new 2 percent surcharge would generate approximately 25 percent on top of the dollar amount for the 6 percent surcharge.

Ms. Figueroa said Senator Roberson was correct and also clarified that it was not a six-month reserve the Commission hoped to build, but a three-month reserve.

Mr. Breslow introduced the new Labor Commissioner, Shannon Chambers, who was the former head of B&I's fiscal unit and a former deputy director. He said Ms. Chambers could explain what self-funding the Nevada Athletic Commission was accomplishing because it was her idea.

Shannon Chambers, Labor Commissioner, Office of Labor Commissioner, Department of Business and Industry (B&I), stated in response to Senator Roberson's question that approximately $1.8 million would be realized from the 2 percent surcharge.

Senator Roberson wondered whether the Athletic Commission would have the flexibility to use those funds to fulfill its needs.

Mr. Breslow replied that the Athletic Commission was limited to the same allocation and the same positions received last session. The surcharge would bring in additional funding to pay for inspectors, but it would not fund a drug-testing program.

Senator Roberson said he was a little concerned, because drug testing was important and expensive; it appeared that the ticket prices were going up, but the Athletic Commission was not going to provide the funding needed to pay for drug testing.

Ms. Chambers said the Governor's proposed budget in year two provided some funds for a drug-testing program. The cost for a full-scale drug program could be millions of dollars, so the proposal started a pilot program in year two of the budget. She said that as the reserve grew, the Commission would possibly expand the program.

Mr. Breslow noted there was drug testing now, but promoters were required to pay for it, so only the wealthy promoters could do it for the big events. He said the Commission wanted to appear before the Legislature with some reality and some projections, but there were no projections available. He commented that the Athletic Commission could use more funding and more employees, which it could put to use to stage more events. He said with limited funds, this was the best idea the Commission could conceive.

Mr. Breslow said the Department had a success story to relate. Last session the Housing Division was in terrible shape with no one in the top six positions, and this year it was cited as agency of the year. The Division had accomplished the following:

- Created an affordable rental housing database.
- Created a tax credit program.
- Created a veterans housing program.
- Created a down payment assistance program.
- With private developers, built 1,225 new, affordable rental units.

Mr. Breslow emphasized that none of the above programs received funding from the General Fund.

Additionally, the Housing Division had accomplished the following:

- Assisted 7,321 at-risk Nevadans with emergency shelter solution grants.
- Assisted 852 low- and moderate-income families realize home ownership.
- Foreclosure mitigation served 1,409 families at risk of losing their homes.
- The Weatherization Program improved energy efficiency for 834 units and helped 1,712 low-income individuals.

According to Mr. Breslow, the Home Means Nevada Home Retention Program had been moved to the Housing Division. Last year, the agency had been able, after two years, to finally purchase a group of mortgages from the Federal Housing Administration (FHA), U. S. Department of Housing and Urban Development (HUD). Mr. Breslow said the Housing Division had been told it could buy 800 mortgages, but it was only able to purchase 220 at a discount. Additionally, only 108 of those mortgages applied to owner-occupied property, although all were supposed to be owner-occupied. Home Means Nevada had successfully approved loan modifications for nearly 20 percent of the 108 mortgages so far.

The program had acquired 39 properties for rehabilitation and resale to be sold to owner occupants. The ongoing need for this program was being evaluated, because housing prices accelerated two years ago, both in southern and northern Nevada, and the program would not be able to purchase discounted mortgages in the future.

Mr. Breslow said funding for the Home Means Nevada program came as mortgage settlement funds in the amount of $49 million. It was anticipated that the program would wind down in the next biennium. He said in the next two years, funds that could not be distributed to owner occupants by refinancing loans would be returned to the State General Fund.

Mr. Breslow informed the Subcommittee about the Department of Business and Industry technology requests. The Department had three technology investment requests (TIRs), one at the Taxicab Authority, one at Industrial Relations to rebuild the workers' compensation system, and one at the Manufactured Housing Division. The Department had also requested three new IT positions, which would bring the total to nine positions, five in the south and four in the north.

The Division of Insurance ascertained that insurance rates were fair and that people were treated properly by their insurance companies. Page 17 of Exhibit G showed the following budgetary goals for the Division of Insurance:

- Consolidate the four budget accounts into one to simplify and improve the accuracy of financial reporting for interested parties.
- Add one additional IT position to manage databases and support systems.
- Add one additional attorney to act as an insurance care hearing officer.
- Sunset the funding for two insurance examiner positions.
- Add a total of four new positions [including the two above].

The Division of Industrial Relations had been very effective without the requested funding. The Division provided access to 71,495 employers statewide and 1.5 million employees that made up Nevada's workforce.

Mr. Breslow said the Division's main project was information technology (IT) and redoing workers' compensation. The Division administered the occupational safety and health administration (OSHA), safety consultation and training (SCAT), mine safety and training programs, and workers' compensation. Mr. Breslow said the acronym SCAT was the friendly side of OSHA. When businesses arrived in Nevada and built a factory, they could ask SCAT to go through the factory and point out problems that OSHA would sanction if it investigated. With SCAT, the problems were explained and the businesses committed to fix them. Mr. Breslow said thousands of businesses in Nevada had taken advantage of SCAT's services.

Mr. Breslow stated Nevada was a world leader in mine safety, and the operation was so good that the mines recruited key staff away and the state had to train new staff quite often. He said workers' compensation was part of that, noting there was a big controversy about elevators and boiler inspections last session. The Division of Industrial Relations had spent the last year redoing the regulations for elevator inspections and boilers. The Legislative Commission recently approved the regulations for elevator inspections. Mr. Breslow said the Division had also done a lot of work with Tesla Motors prior to its opening to ensure there would be no surprises on the back end.

The Mortgage Lending Division promoted and regulated nondepository mortgage lending and related business. Nevada was still ranked number two in the country for mortgage fraud. Mr. Breslow pointed out mortgage services were not regulated in Nevada. The Mortgage Lending Division had submitted a bill draft request to regulate 200 mortgage servicers operating in Nevada and to add two employees who would be hired at the end of FY 2016 if the request was approved.

The Taxicab Authority, along with the Nevada Taxicab Authority Board, regulated the taxicab industry in Clark County. There were 2,730 medallions issued, approximately 10,000 drivers licensed, and 27.5 million trips completed in Clark County annually. The modernization of operations for vehicle tracking could not be performed without a basic computer operating system. Mr. Breslow said one of the main IT projects was to give the Taxicab Authority the software and an IT position to build such a system. In addition, the tourism industry in Clark County had received a lot of negative publicity in the national news because taxi drivers were "long-hauling" tourists and visitors. The Department was proposing to add six new employees to form a long-haul squad that would be based at the airport and do nothing but work to stop long-hauling.

The Nevada Transportation Authority regulated the transportation and taxicab industries in all Nevada counties except Clark County. Requests from that agency were for modernization of operations and computer software and replacement of vehicles that had outlived their usefulness.

Mr. Breslow continued his presentation and said the Labor Commissioner resolved wage and hour disputes between employers and employees. Should the other agencies become self-funded, the Office of Labor Commissioner would become the only General Fund agency in the Department of Business and Industry.

The Division of Financial Institutions maintained a system that was safe and sound, protected consumers, defended the overall public interest, and promoted economic development. Commissioner George Burns was focused on trying to get industrial lending companies back in Nevada, but there were only two states in the country that were grandfathered in by the federal government to have them. Industrial banks were credit agencies, such as Ally Financial Inc. (formerly GMAC), Toyota Financial Services, and Harley-Davidson Financial Services. He said industrial banks were insured by the Federal Deposit Insurance Corporation (FDIC), but the current FDIC chairman did not like them, so none had been approved for three years. The Division had applications to bring industrial banks for Caterpillar Inc. and John Deere to Nevada. Mr. Breslow said there were billions of dollars in assets and many high-end jobs coming to Nevada. The Division had been sending letters and working with the White House and others to put pressure on the chairman of the FDIC to move forward in granting industrial banks, which would also help solve a problem regarding medical marijuana.

Mr. Breslow explained that while there would be medical marijuana dispensaries around the state, there were no banks in the country that had been approved by the FDIC to accept the money from those dispensaries. A bank in southern Nevada had spent the last few years working with the federal government to provide a depository for money from medical marijuana dispensaries. Mr. Breslow said the money from sales would be picked up at the dispensary by a third party and taken to the bank. Another courier would take the money from the Nevada bank to a larger bank in San Francisco. The plan was being proposed by First Security Bank of Nevada, although it had not received official permission. As far as Mr. Breslow knew, First Security Bank was the only bank that had been working with other financial institutions to solve the problem.

The Manufactured Housing Division inspected manufactured structures to ensure they were constructed, installed, and repaired in a manner complying with statute. The Manufactured Housing Division performed 2,506 inspections in 2014, and 79,726 units were titled. The Division was requesting replacement of the software system supporting the permitting, inspection, and investigation functions of the Division. Mr. Breslow noted the Division's small budget and the use of private contract inspectors, especially in the rural areas.

The Office of the Nevada Attorney for Injured Workers (NAIW) had received $6,750,714 in settlement funds for clients who would not be able to afford an attorney. Mr. Breslow said the NAIW had done an amazing job representing injured workers in Nevada.

The Employee Management Relations Board had no major items in its budget. It was a two-person agency with three commissioners to hear the cases.

Mr. Breslow concluded the presentation of the Department of Business and Industry's overall budget plan.

Chair Anderson called for public comment and hearing none, he adjourned the meeting at 4:01 p.m.

RESPECTFULLY SUBMITTED:

____
Anne Bowen
Committee Secretary

APPROVED BY:

____
Assemblyman Paul Anderson, Chair

DATE: ______________________________

____
Senator Ben Kieckhefer, Chair

DATE: ______________________________

EXHIBITS

Committee Name: Legislative Commission's Budget Subcommittee

Date: January 27, 2015 **Time of Meeting: 8:35 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	James G. Cox, Director, Department of Corrections	Budget Overview Hearing, Department of Corrections, January 27, 2015
	D	James G. Cox, Director, Department of Corrections	RCW 70.41.460, Contract with Department of Corrections
	E	James M. Wright, Director, Department of Public Safety	Budget Presentation, Department of Public Safety
	F	Rudy Malfabon, Director, Department of Transportation	2015-2017 Biennial Budget Overview, Nevada's Department of Transportation, January 27, 2015
	G	Bruce H. Breslow, Director, Department of Business and Industry	Department of Business and Industry, Executive Budget, 2015-2017 Biennium