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

Seventy-Eighth Session
April 20, 2015

The Committee on Ways and Means was called to order by Chair Paul Anderson at 8:12 a.m. on Monday, April 20, 2015, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website: 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).

COMMITTEE 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

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Stephanie Day, Principal Deputy Fiscal Analyst
Jeff A. Ferguson, Senior Program Analyst
Mandi Davis, Program Analyst
Adam Drost, Program Analyst

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Jennifer Gamroth, Program Analyst
Kristen Kolbe, Program Analyst
Anne Bowen, Committee Secretary
Cynthia Wyett, Committee Assistant

Chair Anderson called for public comment and hearing none, closed public comment.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said there were a variety of items on the agenda, such as reports from subcommittees, the closing of accounts previously heard by the Assembly Committee on Ways and Means, and staff-closed accounts. Ms. Jones said for subcommittees' reports, a Fiscal Analysis Division analyst would read and comment on the closing report that was approved by the subcommittees and inform the Committee about the subcommittees' recommendations for final closure. Ms. Jones said Fiscal staff recommended that a vote be taken after each budget account report.

PUBLIC SAFETY
PEACE OFFICERS STANDARDS & TRAINING
PEACE OFFICERS STANDARDS & TRAINING COMMISSION (101-3774)
BUDGET PAGE POST-7

Kristen Kolbe, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the following closing report from the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on Public Safety, Natural Resources, and Transportation for the budget for the Peace Officers Standards and Training (POST) Commission.

As recommended by the Governor, the Subcommittees recommended approving administrative court assessments of $17,030 in fiscal year (FY) 2017 for the construction of a training shoot house. The Subcommittees also recommended approving administrative court assessments of $24,000 in FY 2016 to purchase 24 computer smart tablets. The Subcommittees recommended an adjustment to eliminate one replacement desktop computer dedicated to scanning and recording academy tests, which POST indicated was not necessary with the approval of the tablets. Adjustments to administrative court assessments might be required, contingent upon the final decisions by the finance committees with respect to the administrative court assessment revenues.

The Subcommittees recommended approval of the remainder of the budget as recommended by the Governor, with minor technical adjustments.

ASSEMBLYMAN EDWARDS MOVED TO APPROVE BUDGET ACCOUNT 3774 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND TRANSPORTATION, WITH AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

Assemblywoman Carlton stated that she would be a no vote because of the training shoot house. She said the Committee was being told that court assessments were decreasing, and she could not vote to spend $17,030 on a training shoot house. While Assemblywoman Carlton believed the tablets were a worthy item, she said she would have to vote no on the entire budget because there was no way to vote on individual items.

THE MOTION CARRIED. (Assemblywoman Carlton voted no.)

BUDGET CLOSED.

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INFRASTRUCTURE
TAHOE REGIONAL PLANNING AGENCY
TAHOE REGIONAL PLANNING AGENCY (101-4204)
BUDGET PAGE TRPA-3

Jennifer Gamroth, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the following closing report from the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on Public Safety, Natural Resources, and Transportation, which had completed their review of the budget for the Tahoe Regional Planning Agency (TRPA). The closing recommendations of the Subcommittees resulted in no change in the State General Fund appropriations.

As recommended by the Governor, the Subcommittees recommended approving General Fund appropriations of $375,000 in each year of the 2015-2017 biennium for Nevada's share of the TRPA's aquatic invasive species boat inspection program for Lake Tahoe.

The Subcommittees also recommended approving General Fund appropriations of $345,000 in fiscal year (FY) 2016 and $25,000 in FY 2017 for Nevada's share of costs associated with TRPA's requirement to monitor and report on environmental thresholds in the Lake Tahoe Basin as outlined in the Regional Plan Update, adopted on December 12, 2012.

In total, the Subcommittees recommended approving state support of $4,180,374 over the 2015-2017 biennium for the TRPA, which equaled 30.9 percent of the combined Nevada/California TRPA budget.

Assemblywoman Titus said she wondered about the $750,000 that was funded by the boat inspection fees and whether TRPA would lose federal funds if inspection fees decreased. She said she had visited Lake Tahoe recently and was shocked at the low level of the water. Assemblywoman Titus said she understood most of the boat ramps would not be open this summer, and she worried that other funds would have to be used to continue the aquatic invasive species boat inspection program.

Ms. Gamroth said the total program costs were about $1.5 million and $750,000 of that was funded with fees. The balance of the $750,000 was split between California and Nevada, which was the amount recommended in this closing report. She said she was not sure how the fees collected would affect the boat inspection program, but someone from TRPA was available to answer that question.

Chris Keillor, Finance Director, Tahoe Regional Planning Agency (TRPA), said he believed Assemblywoman Titus's original question was about the Southern Nevada Public Land Management Act (SNPLMA) funds that had been received in the past. Mr. Keillor said that money had been used, and no more was available for Lake Tahoe. This budget request was intended to replace those funds, not supplement them. He said there would be no more federal funds for the boat inspection program.

Assemblywoman Titus asked what the effect would be if no fees were collected because of the low water and the closed boat ramps.

Mr. Keillor replied that was a significant problem, which was also a concern last year, but there had been a continuation of approximately the same level of activity as seen in prior years. Mr. Keillor said the TRPA would be monitoring fees throughout the summer and, if necessary, would look at the cost of the program and consider solutions. One solution to a reduction in demand would be to revise the opening and closing dates of the inspection stations.

ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE BUDGET ACCOUNT 4204 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND TRANSPORTATION, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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SPECIAL PURPOSE AGENCIES
OFFICE OF MILITARY
MILITARY (101-3650)
BUDGET PAGE MILITARY-6

Jennifer Gamroth, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the following subcommittees closing report for budget account 3650, the Office of the Military.

The Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on Public Safety, Natural Resources, and Transportation had completed the review of the Office of the Military. The closing recommendations of the Subcommittees resulted in State General Fund reductions of $336,729 in each year of the 2015-2017 biennium.

The Subcommittees recommended approving General Fund appropriations totaling $189,939 over the 2015-2017 biennium to fund the Governor's recommendation for one new accounting assistant position and one new accountant technician position assigned to the fiscal unit of the Office of the Military, including costs associated with the new positions.

The Subcommittees recommended approving the Governor's recommendation for two new grounds maintenance worker positions and associated operating costs to be located at the Nevada Air National Guard facility and at the Stead Training Center, and one new maintenance repair worker position to be located at the Army Aviation Support Facility in Stead, funded with State General Fund appropriations totaling $22,317 and federal funds totaling

$210,430 over the 2015-2017 biennium. The Office of the Military indicated these facilities currently did not have assigned maintenance workers.

The Subcommittees recommended approving a technical adjustment to eliminate a change in the funding source for shift differential and overtime pay from federal funds to General Fund appropriations, resulting in General Fund savings of $580,132 over the 2015-2017 biennium. The Office of the Military indicated it would be able to secure federal reimbursement for those costs.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 3650 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND TRANSPORTATION, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.
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> ASSEMBLYWOMAN TITUS SECONDED THE MOTION.

Assemblyman Edwards said he wanted to ensure this item was under budget account (BA) 3650 and the cost savings were coming from the $580,132 because of the shift differential, and there was no money actually being removed from the budget.

Ms. Gamroth explained that the agency had requested General Fund appropriations for shift differential and overtime. It had now been determined federal funding was available for those expenses, so there was General Fund savings of $580,132 in this budget account.

> THE MOTION CARRIED UNANIMOUSLY.
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> BUDGET CLOSED.

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SPECIAL PURPOSE AGENCIES
OFFICE OF MILITARY
MILITARY CARLIN ARMORY (101-3651)
BUDGET PAGE MILITARY-26

Jennifer Gamroth, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the following closing report for budget account 3651, the Carlin Armory.

The Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on Public Safety, Natural Resources, and Transportation recommended approving State General Fund appropriations totaling $65,249 and federal funds totaling $16,076 over the 2015-2017 biennium to fund the Governor's recommendation for one new maintenance repair worker position to be located at the Carlin Armory to provide support to the Nevada National Guard facilities in Carlin, Winnemucca, Elko, and Ely.

ASSEMBLYMAN EDWARDS MOVED TO APPROVE BUDGET ACCOUNT 3651 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND TRANSPORTATION, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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SPECIAL PURPOSE AGENCIES
OFFICE OF MILITARY
MILITARY PATRIOT RELIEF FUND (101-3654)
BUDGET PAGE MILITARY-42

Jennifer Gamroth, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the closing report for budget account 3654, Military Patriot Relief Fund.

The Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on Public Safety, Natural Resources, and Transportation recommended approving the Governor's recommendation to eliminate the Servicemembers' Group Life Insurance premium reimbursement program, contingent on the passage and approval of Assembly Bill (A.B.) 472. If A.B. 472 were to be approved by the 2015 Legislature, the elimination of the Servicemembers' Group Life Insurance premium reimbursement program would generate State General Fund savings of $15,932 in each year of the 2015-2017 biennium. If A.B. 472 were not approved, the agency indicated the

General Fund impact could be as high as $1.5 million in each year of the biennium if all 4,264 members were to take advantage of this program.

Assemblywoman Benitez-Thompson said that during the initial hearing, there were questions about what would happen to those individuals who were currently enrolled in the life insurance program, such as whether they would be notified about the change and be presented with other options. She asked whether there had been a response from the Office of the Military.

Cheryl Tyler, Administrative Services Officer, Office of the Military, explained that the Servicemembers' Group Life Insurance was provided by the federal government and was a low-cost life insurance plan. By removing the reimbursement, the insureds would still have the option to avail themselves of life insurance. She said that should the insureds be unable to pay the monthly premium of $29 for the highest life insurance coverage, they could opt to decrease the coverage with a premium as low as $4.50 per month. If the insureds did not choose to avail themselves of the $4.50 premium and lower coverage, there was no other plan available. While a National Guard member was deployed, the federal government provided the life insurance.

Chair Anderson thanked Ms. Tyler for the clarification.

> ASSEMBLYMAN EDWARDS MOVED TO APPROVE BUDGET ACCOUNT 3654 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND TRANSPORTATION, CONTINGENT UPON THE PASSAGE AND APPROVAL OF ASSEMBLY BILL 472, WITH AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.
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> ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.
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> THE MOTION CARRIED UNANIMOUSLY.
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> BUDGET CLOSED.

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SPECIAL PURPOSE AGENCIES
DEFERRED COMPENSATION
DEFERRED COMPENSATION COMMITTEE (101-1017)
BUDGET PAGE DEFERRED COMP-3

Stephanie Day, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1017, Deferred Compensation Committee, and provided the following closing report.

The Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government had completed their review of the budget for the Deferred Compensation Committee.

The Subcommittees recommended approving the Governor's recommendation, with technical adjustments, to replace the temporary services contract with a 0.75 full-time equivalent (FTE) administrative assistant.

The Subcommittees recommended approving the remainder of the budget as recommended by the Governor, with technical adjustments.

> ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE BUDGET ACCOUNT 1017 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.
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> ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

Assemblywoman Carlton said she was concerned about the reserve level in this budget account. She noted that the money in the account belonged to the participants and whatever happened would cost the participants.

Ms. Day stated that Fiscal Analysis Division staff had concerns with the reserve level in this account, but during testimony before the Subcommittees, it was noted that there was a renegotiation of the investment consultant contract, which decreased by $20,000 per fiscal year, requiring a technical adjustment to increase the reserves by $40,000 over the biennium. Fiscal staff was comfortable with the reserve level.

Assemblywoman Carlton asked whether that occurred because of the new contract with Voya Financial, and Ms. Day said that was correct.

THE MOTION CARRIED. (Assemblywoman Carlton voted no.)

BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - ADMINISTRATION (101-4554)
BUDGET PAGE AGRICULTURE-5

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented the closing report for the Department of Agriculture Administration by the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government. The closing actions taken by the Subcommittees resulted in a decrease in State General Fund appropriations of $123,256 in fiscal year (FY) 2016 and $144,567 in FY 2017 when compared to the Governor's recommended budget.

For the Department of Agriculture Administration budget account (BA) 4554, the Subcommittees recommended approval of the Governor's recommendation, with technical adjustments, to provide two new positions for the Department of Agriculture's Administration Division: a public information officer to provide videography and public outreach services and an administrative assistant to provide administrative support to the members of the Division. The Subcommittees also recommended the transfer of the marketing coordinator position from the Agriculture Registration/Enforcement budget (BA 4545) to the Administration budget as recommended by the Governor, to improve the coordination of marketing activities, and funded this position through the Division's cost allocation.

Fiscal Analysis Division staff noted there was one outstanding closing issue in this account, which was the Metro Building renovation, and the Subcommittees delayed action on this item. The Metro Building renovation was not reflected in The Executive Budget, and the Department of Agriculture requested the Committee consider authorizing cost-allocation funds of $632,969 in fiscal year (FY) 2016 to fund renovation projects on the Metro Building in Las Vegas. This would allow the Department of Agriculture to move out of its existing building and occupy the Metro Building in FY 2016.

The Metro Building sat on a large city block on East Sahara Avenue owned by the state and included several state buildings, which were the Metro Building; an existing Department of Agriculture building; a Buildings and Grounds (B&G)

Section, State Public Works Division, Department of Administration building; and a Department of Motor Vehicles (DMV) field office. The Metro Building was constructed in 1978 and was used by the Las Vegas Metropolitan Police Department until 2012 when the state assumed ownership of the building. The building had been vacant since that time.

The State Public Works Board, Department of Administration's requested 2015-2017 biennium Capital Improvement Program (CIP) included a $7.7 million project for improvements to the Metro Building that would accommodate Department of Agriculture and Buildings and Grounds staff and provide the building improvements necessary to operate a certified metrology laboratory. This request also included the installation of a new roof, a fire sprinkler system, new carpeting, and a mezzanine level above the high bay storage area.

The State Public Works Board's planned renovation or replacement of the Metro Building was not included in the Governor's recommended CIP for the 2015-2017 biennium. Funding of $253,752 was included in the CIP for minimal repairs to the Metro Building. These minimal repairs would allow B&G staff to move temporarily into the Metro Building from the nearby existing location, which had to be demolished to accommodate construction of the new Sahara DMV field office.

The Department of Agriculture requested a revision to this plan by moving its staff into the Metro Building and moving B&G staff into the Department of Agriculture's existing building. The Department of Agriculture would assume ownership of the Metro Building, while Building and Grounds would assume ownership of the existing Department of Agriculture building. The Department of Agriculture requested cost-allocation funding for improvements to the Metro Building that would be needed for the Department's Las Vegas staff to move into the building. Along with office space, the Metro Building would have warehouse space to store food for the commodity food program and an area for Consumer Equitability Division staff to perform testing. Costs would be allocated to the Department's budgets based on each budget's share of the building's square footage. The planned improvements for the Metro Building included phase 1, phase 2, and travel expenses, for a total cost of $632,969.

The State Public Works Division (SPWD) prepared a facility condition analysis report in 2012, which identified repairs totaling $918,975 for the Metro Building. The Department appeared to have considered most of these repairs in its stated plans; however, some suggested repairs, such as building insulation and carpet replacement, were not included in the Department's current planned improvements. The Department indicated those repairs would occur in future biennia.

During its budget hearing on February 4, 2015, the Department indicated its current building in Las Vegas housed a metrology laboratory; however, it was unable to be recertified by the National Institute of Standards and Technology, U.S. Department of Commerce, because of a lack of temperature control and no continuous rail system to bring heavy weights into the building. The Department was currently able to test commercial scales, fuel pumps, and fuel quality in the Las Vegas area; however, the Department was unable to certify weights for registered service agents who repaired and tested scales because of the lack of a certified metrology laboratory. Items were currently trucked to the Sparks metrology laboratory for certification.

The Department indicated that the metrology laboratory in the Metro Building could be certified approximately 45 days after the remodel was complete. Fiscal Analysis Division staff questioned the Department of Agriculture on the need to move into the Metro Building instead of waiting to include the Metro Building in a future capital improvement project. The Department indicated it would retain ownership of the property housing its Las Vegas staff, which the Department said would cost less than moving into leased or state-owned property.

As previously mentioned, the Metro Building had space available to store dry food for its commodity food program, which would allow the Department of Agriculture to terminate its use of private warehouse space in Las Vegas. According to The Executive Budget, the cost of this leased warehouse space was predicted to be $59,215 in each year of the biennium. The Department had confirmed that if the Metro Building remodel was approved, the annual cost of the leased warehouse space could be eliminated from the Commodity Food Program budget in fiscal year (FY) 2017. That would provide the Department with one year to transition storage to the Metro Building.

The Subcommittees delayed action on authorizing cost-allocation funds for this project. The Subcommittees also requested additional information, which was provided by the Budget Division, Department of Administration, on Friday, April 17, 2015. The Budget Division indicated that the Department of Agriculture would serve as the prime contractor for this project, with the SPWD responsible for inspections and occupancy certification.

The SPWD concurred with the Department of Agriculture that the useful life of the Metro Building would exceed 15 to 20 years. The SPWD had no position on the cost estimates for the subprojects for the Metro Building remodel, because this was a departure from the standard construction management process employed by the Division.

The SPWD also acknowledged that with any construction project, additional costs might be incurred as unknowns were identified.

Finally, the SPWD and the Department of Agriculture agreed that the proposed remodel of the Metro Building fell under prevailing wage statutes. The Department indicated this might increase costs by 15 percent; however, sufficient contingencies were included in the cost projections to cover this increase.

Mr. Drost asked whether the Committee wished to approve the Department's request to renovate and assume ownership of the Metro Building in Las Vegas. If approved, Fiscal Analysis Division staff requested authority to eliminate the cost of leased warehouse space from the Commodity Food Program budget and enter any necessary technical adjustments.

Assemblywoman Kirkpatrick suggested that it might be better for the agency to answer her question as opposed to Mr. Drost. She said that typically, agencies did not perform public works functions on remodels or new buildings, and she wondered why it was being considered with the Department of Agriculture when the Nevada System of Higher Education (NSHE) had not been allowed to do the same thing in previous sessions.

Mr. Drost said Assemblywoman Kirkpatrick was correct. Typically, *Nevada Revised Statutes*, the *State Administrative Manual*, and budget instructions directed agencies with construction projects greater than $100,000 to use the State Public Works Division.

Chair Anderson asked why the request from the Department of Agriculture was not typical.

Jim R. Barbee, Director, State Department of Agriculture, said from the Department's viewpoint, it was trying to save as much money as possible, because fees were being used. He said the request was viewed as a long-term investment for the agency to avoid using leased locations. The original project would have resulted in roughly $85,000 per year in lease cost savings to the Department, with an additional lease to house the food commodities. Mr. Barbee stated an agency-owned location would allow the Department to meet the needs of the fee programs, including the laboratories. The Department was unique in that it had a building operations staff member with experience as a contractor. Mr. Barbee said it was an opportunity for the Department to reduce the cost on fees, save General Fund money, and create an excellent use for the building.

Assemblywoman Kirkpatrick commented that she was concerned about what would happen if the employee with the contracting experience left the Department. She believed it made more sense to use the State Public Works Division as the contractor, and she requested that SPWD come before the Committee with input regarding the project. Assemblywoman Kirkpatrick said she preferred budgeting the project correctly from the beginning rather than using a request for more funding from the Interim Finance Committee (IFC) at a later date.

Mr. Barbee said the Department was trying to avoid increasing fees and had discovered ways to do so. The employee with the contracting experience had a history in the past two years of managing the advanced systems in the new Sparks headquarters, along with the current Las Vegas facility and the Elko facility. Mr. Barbee maintained that using the services of SPWD would increase costs dramatically because there was a fee for SPWD. Additionally, a general contractor would be hired by SPWD, creating two different management levels for the project. Mr. Barbee believed the Metro Building could be used for the long term. The costs for a lease-leaseback that was considered would have been $500,000 a year, which Department fees could not cover.

Assemblywoman Swank thanked Mr. Barbee for arranging a tour of the Metro Building for her and Senator Woodhouse. She said she had taken the tour because of Subcommittees' concerns about the condition of the building, but had discovered that for a 1978 building, it was in good shape. In Assemblywoman Swank's opinion, the building was on a solid slab and much of the interior was intact. While there was some damage to the roof because of vandalism to the heating, ventilating, and air conditioning (HVAC) units that allowed water to get into the ceiling, it did not seem to be structural. Assemblywoman Swank said that she had asked about the building insulation, and she was told by the Department that the roofers had not been concerned about the insulation.

Assemblywoman Swank was a little concerned that carpet replacement did not appear in the budget, because it seemed clear to her that the carpeting was at the end of its useful life. However, there was some vinyl composition tile that appeared to be in good shape. Assemblywoman Swank said it seemed there was enough space for the Department of Agriculture, the metrology laboratory, and the commodities storage. She reiterated that the building was in good shape, especially for having been empty for such a long time.

Assemblyman Sprinkle commented that he agreed wholeheartedly that these projects should go through SPWD and not be handled by individual departments. He asked whether $632,969 was the minimum cost of repairs that needed to be done for the building to be made habitable and whether there were any life-safety issues that were not covered in the request.

Mr. Barbee said that during the last biennium, the SPWD had spent roughly $400,000 analyzing the building and assembling plans for a remodel that would have resulted in a cost of $7.7 million. The benefit for the Department of Agriculture was that a lot of work had been done by inspecting the building, determining problems with the building, and deciding what needed to be repaired. Additionally, the Department used SPWD's building review performed in 2012 to identify specifically what needed to be done to allow occupancy of the building. Mr. Barbee said phase 1 dealt with life-safety issues. He summarized that phase 1 would allow occupancy of the Metro Building so the Department could move out of its current building, which would allow the Buildings and Grounds Section to move into it. The Department's old building had become compliant with the Americans with Disabilities Act (ADA) in the late 1990s or early 2000s, when an addition was completed. The Building and Grounds Section (B&G) and SPWD had inspected the building, and B&G staff was ready to move into the building when the Department of Agriculture vacated it.

Assemblyman Sprinkle asked whether SPWD had agreed with the different phases and whether life-safety issues would be handled in phase 1.

Mr. Barbee stated he had reviewed SPWD reports, and the Department had developed its list from the $7.7 million CIP project that SPWD had proposed.

Assemblyman Kirner recalled a conversation he had with Mr. Barbee about two things related to the Metro Building project. The first question Assemblyman Kirner had was that SPWD already had a CIP project of $253,752, and it had been alluded to that if the Department performed its project, SPWD could use that money for a need somewhere else. Assemblyman Kirner said the second thing discussed was that Mr. Barbee had been requested to have a conversation with Gustavo Nuñez, P.E., Administrator, State Public Works Division, Department of Administration, following the meeting. He asked whether that conversation had occurred and its outcome.

Mr. Barbee stated that he and Mr. Nuñez had a lengthy conversation, and he had agreed with SPWD concerns about certifying the numbers that the Department had compiled. Mr. Barbee clarified that Department staff had talked to SPWD staff who had been involved in the preliminary planning for the

$7.7 million project. Many of the items specifically put in the Department's proposal came from SPWD information. The SPWD had agreed to let the Department serve as the lead contractor, but that did not mean that SPWD was not engaged and involved in the project. Mr. Barbee explained that the Department would be drawing the permit through SPWD, and its building inspectors would be performing the actual inspections.

Assemblyman Kirner said it appeared that the Department of Agriculture had tacit approval from SPWD for the Metro Building project, and Mr. Barbee said that was his understanding.

Assemblyman Kirner asked whether Mr. Barbee and Mr. Nuñez had discussed the CIP project with the available $253,752; his impression was that the funds would not be used for the Metro Building remodel. Mr. Barbee agreed that was also his understanding.

Janet Murphy, Deputy Chief, Budget Division, Department of Administration, stated she had been in the meeting between the Department of Agriculture and SPWD. Ms. Murphy affirmed that the approximately $250,000 would be used for the Hotel College (William F. Harrah College of Hotel Administration) at the University of Nevada, Las Vegas (UNLV) and not the Metro Building project.

Assemblyman Kirner noted that he had a conversation with the Department's project manager, and his impression had been that the project manager was very confident about the numbers.

Assemblywoman Kirkpatrick remarked that she did not want the Committee members, especially the new members, to think that everything ran smoothly all the time, because it did not, no matter who was in charge. She said she wanted to put that on the record and added that she would like to see some information submitted by SPWD to assist the Committee in making the right decision.

Mr. Barbee commented that he had met with Mr. Nuñez as directed and discussed all scenarios, and this was the best option to move forward to keep the Sahara DMV project on schedule and be able to get the most for the available funds.

Assemblywoman Carlton said she was concerned about this project, and while she understood the Department of Agriculture was a fee-based agency, those fees did not appear out of nowhere: they came out of pockets and when pockets were affected, legislators received emails and telephone calls. She noted that many times when renovating, a wall came down and unexpected problems were revealed. She said she had a great deal of comfort with SPWD, because it usually came in under budget because it tried to account for any contingency. Assemblywoman Carlton said she had concerns with a project this size being handled outside the normal channels.

Mr. Barbee said he concurred about the fees, and the Department's focus was on trying to keep fees down. He said he believed this project was a long-term opportunity to keep fees in check and also meet the need for a metrology laboratory. Currently, the Department did not have a facility that could be certified to perform metrology work in Las Vegas, which was the largest populated area in the state and the largest area with commercial activities. Mr. Barbee maintained that measured against the length of life possible for the Metro Building, the project was a good idea and something that could be successful.

Chair Anderson asked whether the Department of Agriculture had previously worked as a general contractor on similar projects.

Mr. Barbee replied the agency had contracted on a small scale to solve plumbing problems.

Chair Anderson recalled that at a recent Interim Finance Committee (IFC) meeting, the Department had requested $200,000 for renovations, and he asked whether that request was for the Metro Building.

Mr. Barbee replied that the $200,000 had been planned for this project. The Department had pulled the request because the night before the IFC meeting, the U.S. Department of Agriculture (USDA) had indicated those funds were not allowable for this use. The Department was given a different answer by the USDA the following morning, which said the denial had been incorrect and those funds were allowable. Mr. Barbee said that was the reason part of the funds were budgeted in this proposal.

Chair Anderson commented that at that point, the budget was $200,000, and yet the project currently had grown close to $700,000 on paper. He asked why the amount changed.

Mr. Barbee stated $208,000 was for phase 1, and the amount was based on the bids currently in hand. He said the Department was requesting $270,000 to ensure costs were covered to meet the prevailing wage requirement. The Department felt comfortable with $270,000, but the bids had only a 30-day lifespan, so updated bids would have to be solicited as part of the process for the fiscal year (FY) 2016 funds. The additional funds beyond $270,000 were specifically for the Consumer Equitability Division laboratories, which included purchasing some of the equipment that would do the testing. Mr. Barbee said the balance beam in the Las Vegas building had been unrepairable for the last four years, and a new set of modern scales would be required. The current scales were from the 1960s and were historic. The Department would be donating the existing scales to the Nevada State Museum when they were removed from the building. Mr. Barbee said the phase 2 costs were specific to the labs.

Chair Anderson asked Mr. Barbee, after taking various items such as the Occupational Safety and Health (OSHA) requirements and liability into consideration, as well as working with an unlicensed contractor, whether the Department felt this project was out of its scope.

Mr. Barbee responded that the Department of Agriculture was not SPWD, so he could not state that the project was right in line with the Department's scope. However, the Department had buildings that were currently maintained by the agency to keep fees as low as possible. The Department had a contractor on staff who had 28 years of knowledge and experience, and the Department had performed small repair contracts in the past. Finally, according to Mr. Barbee, every action would be performed through permits obtained by SPWD and through inspection by SPWD. At the end of the day, whether managing or inspecting for final output, SPWD would be there to make those declarations.

Chair Anderson said he appreciated Mr. Barbee coming forward with an opportunity to save money, because that was something that the Legislature did not see very often. His conflict was about setting a precedent for other agencies, and he was also concerned about not going through SPWD and having all of that experience available when considering the costs, the overruns, and the change orders that might occur. While he was sure the Department's staff was well-equipped to run the project, he wondered about the long-term ramifications.

Chair Anderson said if there was no further discussion, he wanted to hold this item and ask Mr. Nuñez to report back about the earlier meetings and provide more information before the Committee took any action.

COMMERCE AND INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - AGRICULTURE REGISTRATION/ENFORCEMENT (101-4545)
BUDGET PAGE AGRICULTURE-16

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 4545, Agriculture Registration/Enforcement.

Mr. Drost said the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended approval of the Governor's recommendation to discontinue fund transfers from the Agriculture Registration/Enforcement budget to the Plant Health and Quarantine Services budget (BA 4540). The transfers had supported a portion of the Sagebrush Ecosystem Council and a portion of the Department's conservation staff specialist position serving on the Sagebrush Ecosystem Technical Team. The recommendation was to fund the position and the Council exclusively with General Fund appropriations. The Subcommittees also recommended approval of the Governor's recommendation to transfer a program officer position and an agriculturalist position from the Pest, Plant Disease, Noxious Weed Control budget (BA 4552) to the Agriculture Registration/Enforcement budget and fund the positions using reserve reductions.

ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 4545 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - VETERINARY MEDICAL SERVICES (101-4550)
BUDGET PAGE AGRICULTURE-43

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 4550, Veterinary Medical Services.

The Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended to not approve the Governor's recommendation for a new veterinary diagnostician position to reopen and staff the Department's animal health laboratory in Elko, since similar diagnostician services were currently provided by private practitioners in the area.

The Subcommittees also recommended to not approve the Governor's recommendation to fully support the salary costs for two existing microbiologist positions with State General Fund appropriations. Instead, the Subcommittees recommended continuing to support a portion of the salary costs for these positions with fund transfers from the Livestock Inspection budget (BA 4546), because the positions would continue to perform tasks in support of that budget.

Assemblyman Kirner noted there had been a lengthy conversation about budget account 4550, and because the recommendations were coming from the Subcommittees, he supported them.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 4550 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.
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> ASSEMBLYMAN EDWARDS SECONDED THE MOTION.
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> THE MOTION CARRIED UNANIMOUSLY.
>
> BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - LIVESTOCK INSPECTION (101-4546)
BUDGET PAGE AGRICULTURE-50

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 4546, Livestock Inspection.

Mr. Drost said the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended approving the Governor's recommendation to establish a new $75 annual manufactured animal feed labeling registration fee, contingent upon passage and approval of Senate Bill (S.B.) 495, and place the projected revenue of $225,000 in each year of the 2015-2017 biennium in reserve. The Subcommittees also recommended approval of the Governor's recommendation to establish a new $75 annual biologics registration fee, contingent upon passage and approval of Senate Bill (S.B.) 488, and place the projected revenue of $112,500 in each year of the 2015-2017 biennium in reserve.

The State Department of Agriculture indicated the revenue from the registration of animal food and biologics products would provide funding to meet the requirements of the federal Food Safety Modernization Act. The Subcommittees also recommended a letter of intent directing the agency to reevaluate the proposed fee rates once federal regulations had been established, seek authority from the Legislative Commission to establish the rates in regulation, and seek spending authority from the Interim Finance Committee once the Department determined the resources it would need to comply with the federal regulations. Additionally, Mr. Drost said the Subcommittees recommended the letter of intent also direct the Department to submit work programs to adjust authorized revenue and expenditures for the manufactured animal feed labeling registration program once the federal regulations were established, and to adjust the authorized revenue and expenditures for the biologics labeling registration program once the State Board of Agriculture established the biologics labeling registration program and associated fees.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 4546 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblywoman Dickman voted no.)

BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - NUTRITION EDUCATION PROGRAMS (101-2691)
BUDGET PAGE AGRICULTURE-70

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 2691, Nutrition Education Programs.

Mr. Drost said the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended approval of the Governor's recommendation for General Fund appropriations of $1 million in each year of the 2015-2017 biennium to provide start-up grant funding to public schools to implement Breakfast After the Bell programs, contingent on passage and approval of Senate Bill (S.B.) 503.

The Executive Budget identified the Breakfast After the Bell Program as a major budget initiative to address childhood hunger and increase the state's participation rate in the national School Breakfast Program. The Subcommittees also recommended approval of the Governor's recommendation for new quality assurance specialist positions. However, according to Mr. Drost, the Subcommittees recommended reducing the number of new positions from four to two because of concerns regarding potential shortfalls in projected federal administrative indirect cost-allowance revenue that would support those positions.

The Subcommittees recommended concurring with the Governor's recommendation for an additional information technology (IT) professional position for the State Department of Agriculture's Food and Nutrition Division to develop, maintain, and provide staff support for the Division's computer application system.

Assemblyman Edwards stated that he had voted in favor of the recommendation in the Subcommittees, but he had been reconsidering and would like to see plans for how the program was going to be implemented. Until Assemblyman Edwards saw actual plans, he wanted the money held by the

Interim Finance Committee (IFC) in the Contingency Account. He said he wanted to see more control over what the funds were going to be used for and believed adding IFC approval might be a good option.

Chair Anderson asked whether the Department wanted to comment or clarify.

Jim R. Barbee, Director, State Department of Agriculture, said he believed the concern was about how the Department would grant the money. He stated that the Department had specifically identified what the funds could be used for in S.B. 503. The Department would create a grant process, and Mr. Barbee said that staff was currently working on that process. There would be monitoring and review, and the bill specified a reporting schedule to the Legislative Counsel Bureau (LCB) and the Office of the Governor. Progress and outcomes would be measured by the increase in participation, which would affect the amount of federal funds received by the state.

Assemblyman Kirner remarked that if he remembered correctly, should the program need only $750,000, the rest of the $1 million grant would revert to the State General Fund.

Mr. Barbee replied that was correct: any funds that were not used in the granting process would revert to the General Fund. He added that the Department of Agriculture would not receive any administrative fee for the work performed to get the program up and running.

Assemblyman Edwards questioned the hiring of part-time employees for the program and what kind of liability or obligation that placed upon the state. He said it was not clear whether it would be 5 employees in 5 schools or 100 employees in 100 schools, and he wondered what the state funding expectation would be one or two years into the program.

Mr. Barbee reiterated that the school district would apply to the Department of Agriculture for grant funds to meet specific needs for the creation of the Breakfast After the Bell Program. The school districts would submit a budget narrative that explained the use of the funds, and then the Department would approve the plan with or without modifications. The Department would provide the funds to the school district, and the school district would do the necessary hiring and start the program. The Department would perform a follow-up review to verify that the money was expended properly, and any funds not used would be returned to the state at the end of the fiscal year and reverted to the General Fund. Mr. Barbee emphasized that the Department of Agriculture would not be hiring any staff, because this was a grant program.

Assemblyman Edwards said one of the other questions discussed was cost sharing, so the state did not have to provide the entire budget. He asked why the school districts were not providing funding.

Mr. Barbee replied that the school districts were involved and had a complete enterprise system for school meals and snacks. The school districts generated fees through the program and would also be investing in the program. Mr. Barbee said the grant program was one-shot funding to get Breakfast After the Bell started. There were no further funds in future biennia to support this project, because the idea was that this investment would bring more federal funds into the state, and as operations increased, there would be more federal reimbursement to offset the costs of the entire program.

Assemblyman Edwards believed that enterprise funds amounted to about $36 million, so he wondered why $2 million in state funding was needed.

Mr. Barbee explained that those funds were subject to the U.S. Department of Agriculture (USDA) rules, just like the Commodity Food Program funds. Even though there were fees and state money involved, the Department had to receive approval and authority for the program through the USDA. The USDA allowed a percentage that equated to roughly $30 million, which provided a three-month fallback or reserve for the program.

According to Mr. Barbee, the $2 million was based on projections for getting the program started in schools with 70 percent or more students eligible for free and reduced-price meals. Part of the reason for the setup was to avoid an unfunded mandate and also to help garner support from the schools. Mr. Barbee said he believed it had been successful.

Chair Anderson stated the key thing to remember was that funding was contingent on the passage of Senate Bill (S.B.) 503. That bill specifically detailed how the grant program would work and who would be in charge of it. He said this budget was the funding mechanism, and as Mr. Barbee said, not an unfunded mandate, but a program that had funding available. The school districts, which were closest to the need, would have the opportunity to request those funds.

Assemblyman Edwards asked, as a clarification, whether the Committee would be able to amend S.B. 503 when it came before the Assembly.

Chair Anderson said if there was an appropriate amendment, that would be a process the Committee could undertake.

Assemblywoman Dickman stated she was opposed to this program because she believed there were enough programs that helped parents feed their children, and she would be voting against it.

> ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO APPROVE BUDGET ACCOUNT 2691 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.
>
> ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblymen Dickman, Edwards, and Titus voted no.)
>
> BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - COMMODITY FOOD PROG (101-1362)
BUDGET PAGE AGRICULTURE-78

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1362, Commodity Food Program.

Mr. Drost stated that the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended approval of the Governor's recommendation to add two new positions to support the federal Food Distribution Program on Indian Reservations. The positions included a new social services program specialist position that would provide application assistance and nutrition counseling and a driver warehouse worker position to support the federal Food Distribution Program on Indian Reservations.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 1362 AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - DAIRY COMMISSION (233-4470)
BUDGET PAGE AGRICULTURE-86

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau presented budget account 4470, Dairy Commission.

Mr. Drost said the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended approval of the Governor's recommendation to reclassify a vacant operations manager position to a microbiologist position to operate the State Department of Agriculture's dairy laboratory. The microbiologist position would provide a dedicated staff member to operate the dairy laboratory, which the Department indicated was necessary because of the expansion of the dairy industry in northern Nevada.

ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 4470, DAIRY COMMISSION, AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - PREDATORY ANIMAL & RODENT CONTROL (101-4600)
BUDGET PAGE AGRICULTURE-58

COMMERCE & INDUSTRY
DEPARTMENT OF AGRICULTURE
AGRI - CONSUMER EQUITABILITY (101-4551)
BUDGET PAGE AGRICULTURE-63

Adam Drost, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 4600, Predatory Animal and Rodent Control, and budget account (BA) 4551, Consumer Equitability.

Mr. Drost explained that the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government recommended closing the Predatory Animal and Rodent Control budget and the Consumer Equitability budget as recommended by the Governor, with minor technical adjustments.

ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 4600, PREDATORY ANIMAL AND RODENT CONTROL, AND BUDGET ACCOUNT 4551, CONSUMER EQUITABILITY, AS RECOMMENDED BY THE ASSEMBLY COMMITTEE ON WAYS AND MEANS AND SENATE COMMITTEE ON FINANCE SUBCOMMITTEES ON GENERAL GOVERNMENT, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN OSCARSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGETS CLOSED.

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

Jeff A. Ferguson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account (BA) 1130, Controller's Office.

Mr. Ferguson stated there were two budget accounts for the Office of the State Controller. The first one was BA 1130, which was the main Controller's Office account. There were three major closing issues. The first major closing issue was the Governor's recommendation for State General Fund appropriations of $1,315,414 in fiscal year (FY) 2016 and $84,087 in FY 2017 for replacement of the Office's current Oracle Discoverer system. The system was the query, reporting, and web-publishing tool set that provided direct and web access to data stored in the state's accounting system, also known as the Advantage system.

Mr. Ferguson said that during the Ways and Means Committee budget hearing, testimony indicated that all support for Discoverer had ceased, leaving the state's accounting system susceptible to vulnerabilities. The recommended replacement was a business intelligence (BI) system, which meant that in addition to the normal functions that Discoverer provided, the system would also include a state-of-the-art technology component that provided in-depth data analytics to help the Controller's Office and state agencies make better-informed management decisions.

According to Mr. Ferguson, the amounts in The Executive Budget were based on the purchase of the recommended replacement business intelligence system from Oracle, which was called Oracle Business Intelligence Enterprise Edition (OBIEE). The costs represented in the budget were provided by a consultant and included the software suite, the maintenance costs for two years, and training, installation, and testing. Mr. Ferguson said the $84,087 allocated in FY 2017 for maintenance costs would also be incurred in future biennia.

During the budget hearing, Mr. Ferguson said it had been stated that only one bid was solicited for the replacement of Discoverer with the OBIEE system to establish replacement procedures and to provide an estimate for the replacement costs. However, the Controller's Office indicated that should this recommendation be approved, it would seek assistance from the Department of Administration's Purchasing Division to go through a competitive bid process to replace Discoverer, which could include the selection of a competing product.

Additionally, the Office of the Controller testified in the budget hearing that the security vulnerabilities associated with the system related to the Java programming language. Mr. Ferguson said that since the budget hearing, the Controller's Office had clarified that vulnerability was related to the version of Java that could be used with Discoverer. Because Discoverer was no longer supported, the only version of Java that could be used with it was version 7.4, which was out of date and was known to be a top target of malware writers. Accordingly, the Controller's Office indicated that the discontinuance of support for both Discoverer and Java left the state's accounting system vulnerable to security breaches, which could potentially have a catastrophic effect on the state.

Mr. Ferguson recalled that also during the budget hearing, the Committee noted that the Advantage system, the state's accounting system, was scheduled to be replaced in approximately four years, and the Controller's Office was asked whether the purchase of a new BI software package could be delayed to coincide with the replacement of Advantage. Further, the Committee questioned whether the proposed new software would be compatible with whatever accounting system the state might adopt in the future to replace Advantage. Mr. Ferguson said the Controller's Office indicated that because support for Discoverer had already expired, time was of the essence in finding suitable replacement software because of security vulnerabilities. Further, the Controller's Office testified that any Discoverer replacement system considered for purchase would be required to be compatible with any system the state might select to replace Advantage.

Mr. Ferguson asked whether the Committee wished to approve the Governor's recommendation for General Fund appropriations of $1,315,414 in FY 2016 and $84,087 in FY 2017 to replace Discoverer with the business intelligence software package, including associated maintenance costs.

Assemblyman Edwards wondered why only one vendor had been requested to submit a bid for the Oracle replacement system.

Mr. Ferguson explained that one bid was solicited to establish costs. The final costs might be a little different from the original quote, but the contract would still go out for competitive bid.

Assemblyman Edwards remarked that a discussion had been held concerning debts that were 20 years old. It was a given in debt collection that if the debt was older than six months, there was a minimal chance of collection. He asked whether, in the request for proposal (RFP), the Controller's Office was planning to request an overly extensive program or a more realistic system.

Mr. Ferguson said the next budget account would discuss the debt recovery account and the amounts. The new system would be used for debt recovery, but its primary focus was not debt recovery, but reporting and querying information in the state's accounting system for all state agencies and for the *Comprehensive Annual Financial Report* that the Controller's Office used extensively. Mr. Ferguson said the debt collection component of the system was small.

Chair Anderson thanked Mr. Ferguson for the clarification.

> ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE DECISION UNIT ENHANCEMENT (E) 713, THE GOVERNOR'S RECOMMENDATION FOR GENERAL FUND APPROPRIATIONS OF $1,315,414 IN FISCAL YEAR 2016 AND $84,087 IN FISCAL YEAR 2017 TO REPLACE DISCOVERER WITH A BUSINESS INTELLIGENCE SOFTWARE PACKAGE, INCLUDING MAINTENANCE COSTS.
>
> ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblywoman Titus was not present for the vote.)

Mr. Ferguson said the Governor recommended General Fund appropriations of $150,124 in fiscal year (FY) 2016 and $19,257 in FY 2017 for the purchase of equipment and associated maintenance costs to add videoconferencing capabilities to the existing state computer training facility in decision unit Enhancement (E) 720. The equipment would work in conjunction with the existing videoconferencing equipment housed in the Capitol Building, and it would enable the Office of the Controller to connect the facility in Carson City with other entities wanting to videoconference.

According to Mr. Ferguson, there was testimony during the Ways and Means Committee budget hearing noting that the training facility was approved by the 2013 Legislature. Its primary focus was to provide training to state employees for use of the state's accounting system; however, other state agencies were permitted to use the facility. The discussion also concerned oversight of the facility and whether that oversight would eventually be turned over to the Division of Enterprise Information Technology Services (EITS), Department of Administration, or another appropriate state agency.

The Committee questioned why The Executive Budget did not contain a request to transfer that facility during the interim to a different agency. The Office of the Controller responded that it had extensive discussions with the Department of Administration and EITS, and the parties had mutually agreed that the facility should stay under the management and operation of the Controller's Office for three reasons:

1. The facility was operating smoothly under the management and oversight of the Office of the Controller.

2. The Office of the Controller used the bulk of the training time at the facility for the state accounting system training.

3. The Office of the Controller provided the full-time training position to oversee operations and coordination of the facility.

The Executive Budget recommended that all costs associated with the facility remain with the Office of the Controller through the 2015-2017 biennium. Mr. Ferguson said the Committee had requested some information on usage of the facility. Fiscal Analysis Division staff pointed out that the information provided was for the quarter ending December 31, 2014. The facility had been used during 24 working days out of a possible 61 working days. However, the Controller's Office maintained that was misleading because of the Thanksgiving and Christmas holidays, which effectively removed approximately three weeks from that period of time. The Office of the Controller testified that numerous state agencies requested use of the facility; however, many times they were turned away because there were no open dates available. The agency further indicated that a number of agencies had requested videoconferencing capabilities at the facility, which would increase its use. In response to Fiscal Analysis Division staff questions about identifying those agencies, the Office of the Controller indicated it did not track that information.

Mr. Ferguson stated that subsequent to the budget hearing, the agency indicated it was currently using a contracted service version of a software called Vidyo, which was being used for meetings in the Controller's Office with staff in Las Vegas. The Office also indicated that the provisional license for Vidyo expired at the end of fiscal year 2015, and the vendor's private servers were being used to enable the conferences. Subsequent to the budget hearing, the Office had clarified that this upgrade would allow videoconferencing to be hosted on the Office's own servers and equipment and expand its capabilities to include as many as 2,500 active users.

The Office noted that state employees would be able to access a training class from anywhere in the state or anywhere in world, if traveling, by using their own computer, smart phone, or tablet. The teleconferences and training classes could also be recorded with the upgraded system so that users could view sessions at their own convenience. The Office of the Controller said an example would be that an agency could simultaneously train employees in Ely, Elko, Las Vegas, Hawthorne, and Reno from the training facility in Carson City, which would reduce travel costs to attend the training. The Office also indicated that this was the same videoconferencing system that the federal Department of Defense used to communicate throughout the world.

The Office of the Controller further stated that it currently had support staff in place to operate and maintain the recommended system and did not anticipate any need for additional staff to support the system in the future.

Mr. Ferguson asked whether the Committee wished to approve the Governor's recommendation to provide General Fund appropriations of $150,124 in FY 2016 and $19,257 in FY 2017 for decision unit Enhancement (E) 720, to purchase videoconferencing equipment and support associated maintenance costs for the existing state computer training facility.

Assemblywoman Benitez-Thompson requested clarification of the statement that the upgrade in the videoconferencing capabilities being considered was comparable to the system used by the U.S. Department of Defense.

Mr. Ferguson said that was correct, according to the information provided by the agency, but added that he was certain the Defense system was much larger than the one being contemplated for the Office of the Controller.

Assemblyman Armstrong noted the Controller's Office had stated it could train employees in Ely, Elko, Las Vegas, Hawthorne, and Reno, and he wondered whether it would require additional equipment in those cities to patch into the proposed system.

Mr. Ferguson said it was his understanding that as long as there was Internet access along with a computer, smart phone, or tablet, the Controller's Office could videoconference with anyone, anywhere in the world.

Assemblywoman Benitez-Thompson remarked that the system seemed very high-end and while in some ways that was promising, she wondered whether Nevada needed something on the scale of the U.S. Department of Defense.

Mr. Ferguson said he believed the difference with the Department of Defense system was the number of users and licenses in place. Essentially the core system was the same, but the Office of the Controller would be using a much smaller version.

Chair Anderson asked whether there had been any discussion about putting the new system with EITS, where it might be appropriately used and then licensed back to users.

Mr. Ferguson said there were discussions with the Department of Administration, and because everything was functioning in the state training facility, the Office of the Controller was recommended to continue overseeing the facility, at least through the upcoming biennium. The Governor's recommendation was to have the videoconferencing system with the state training facility where it could be used by any state agency. At this point, Mr. Ferguson said he was not aware of any discussion to move the state training facility to another agency in the near future.

Chair Anderson wondered whether there had been any discussion about staying with the licensing that was currently being used instead of buying the servers and managing the system in-house.

Mr. Ferguson said he believed the Controller's Office was using a provisional license and suggested someone from the agency elaborate.

James Smack, Chief Deputy Controller, Office of the State Controller, said the licensing being used in-house was very limited. The maximum number of users that could be on the system at the same time was eight, and the system was further limited by the number of portable document format (PDF) files and PowerPoint files that could be used. The expansion to the videoconferencing system would provide the ability for an interactive conference with anyone who had a smart phone, tablet, or computer, throughout the world, but there would also be the capability to view PowerPoint files and PDF files. Mr. Smack said the present limited license was being used on a trial basis to see how well the system worked.

Chair Anderson asked whether the current video system was similar to what the Controller's Office wanted to purchase, and Mr. Smack replied that the current system was quite a bit different because it was a limited version. What the agency wanted to purchase would provide complete control using in-house servers rather than using Vidyo's parent servers.

Chair Anderson stated there was annual licensing with the video servers and asked whether that cost was in the budget.

Mr. Smack replied that licensing was approximately $19,000 for the second year, and that cost would be ongoing.

Chair Anderson asked how many licenses $19,000 covered, and Mr. Smack replied it would provide licenses for 2,500 users.

Chair Anderson said he had dealt with Vidyo and with the product, and he would appreciate some clarification about the licensing. He said the licensing was not going to determine the decision today, but he wanted a follow-up regarding ongoing costs.

Chair Anderson referred to the video server and compatible products that had to be acquired and asked whether those products were included in the contract.

Mr. Smack stated that all costs were included in the initial outlay, and the only item that was going to be ongoing would be the additional licensing fees.

Chair Anderson said his last question concerned the difference between the bandwidth usage of the current users and the bandwidth required when more users were added, potentially causing a bottleneck at the server. Chair Anderson asked whether there would be sufficient bandwidth. Mr. Smack replied that there would be sufficient bandwidth.

Assemblyman Edwards asked, on a scale of 1 to 10, how imperative the new videoconferencing system was to the functioning of the Controller's Office.

Mr. Smack said in his opinion, it was about an 8. The main reason he would put it that high was the ability to provide an overall cost savings to agencies in the state. Currently, to use the state training facility, personnel had to be able to come to Carson City. Mr. Smack believed the long-term perspective of this system was to provide services to more state agencies for their training. Agencies throughout the state would be able to receive training from one centralized location and save money on travel expenses.

Chair Anderson asked where information technology (IT) training ranked in the mission of the Office of the Controller.

Mr. Smack stated that the Controller's Office provided monthly training for the Advantage accounting system and also monthly training for Discoverer and Data Warehouse of Nevada (DAWN). He said when the new BI system was brought online, there would be substantial training, along with retraining for all state employees. For the Office of the Controller, the training would be important to show employees how to use the accounting system and the reporting system.

Chair Anderson said he did not discount the need for training and complimented the Office of the Controller for wanting to get employees trained, but he had some concern about the training facility and the training taking place in the Controller's Office instead of an IT department, where he believed it would be more appropriate.

Assemblyman Edwards asked the amount of the training budget for the Office of the Controller.

Mr. Smack explained that most of the training expenses were charged in the last fiscal year, which entailed getting the actual training facility up and running and purchasing computers and chairs. The expenses primarily consisted of policing the facility, which cost approximately $9,500 a quarter, the ongoing payments to EITS for Internet services, and the cost of operating the training facility.

Assemblyman Edwards said he wanted an estimate, and Mr. Smack said approximately $60,000 per fiscal year.

Chair Anderson asked whether the Senate had already heard this budget, and Mr. Ferguson replied that the Senate had approved the budget as recommended by the Governor.

Chair Anderson said he would like to take a motion to not approve decision unit Enhancement (E) 720, even though it would create a difference with the Senate. Additionally, Chair Anderson said he would like to have a discussion about moving the state training facility to the Division of Enterprise Information Technology Services (EITS) rather than continuing to expand the IT functions in smaller agencies. He had been against putting the training center with the Office of the Controller last session and believed it should have been managed by some other agency, with an effort to consolidate IT infrastructures and functions. With the understanding that the Committee would revisit this matter before closing the budget cycle, Chair Anderson said he would entertain a motion to not approve this item.

ASSEMBLYMAN EDWARDS MOVED TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO PROVIDE GENERAL FUND APPROPRIATIONS OF $150,124 IN FISCAL YEAR 2016 AND $19,257 IN FISCAL YEAR 2017 FOR THE PURCHASE OF VIDEOCONFERENCING EQUIPMENT AND TO SUPPORT ASSOCIATED MAINTENANCE COSTS FOR THE EXISTING STATE COMPUTER TRAINING FACILITY IN BUDGET ACCOUNT 1130, DECISION UNIT ENHANCEMENT (E) 720.

ASSEMBLYWOMAN BENITEZ-THOMPSON SECONDED THE MOTION.

Assemblywoman Dickman said she wanted to clarify that the Committee would be revisiting this item and possibly pass it later.

Chair Anderson said he believed it was appropriate to revisit the decision unit and determine whether there was something that would be more compatible with the scope and mission of the Office of the Controller.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Ferguson said the third major closing item in budget account 1130 was a budget amendment to add State General Fund appropriations for audit expenses subsequent to the budget hearing. The Department of Administration provided a budget amendment that requested State General Funds of $52,000 in each year of the biennium to provide contract auditing services related to the recently implemented Government Accounting Standards Board (GASB) Statement No. 68, which dealt with pension plans. Essentially, GASB Statement No. 68 required each employer to report information regarding net pension liability, as well as the fair value of pension plan assets available to pay pension benefits. Currently, the Public Employees' Retirement System (PERS) had approximately 190 participating employers, and each employer was required to report on certain assets and liabilities relating to PERS.

Mr. Ferguson explained that GASB Statement No. 68 required these financial statements to be audited, and because PERS was not allowed to pay expenses that did not directly benefit the plan, funding had to come from another source. Accordingly, the Office of the Controller indicated that in discussion with the Department of Administration, it was determined that the responsibility for this audit should be placed with the Controller's Office as part of its overall financial reporting function. According to Mr. Ferguson, this would be for contract auditing services, and based on information provided by the Office, the amendment to provide auditing services related to GASB Statement No. 68 appeared reasonable.

Mr. Ferguson asked whether the Committee wished to approve the Governor's recommendation to provide State General Fund appropriations of $52,000 in each year of the biennium for costs related to audit requirements associated with GASB Statement No. 68, per budget amendment A150591130.

Assemblywoman Kirkpatrick said she had no recollection of hearing about GASB Statement No. 68 before and wondered where the matter came from and why the Controller's Office was responsible.

Mr. Ferguson replied that this was a new GASB requirement for which PERS was not allowed to use its funds. In discussion with the Department of Administration, it was determined that the normal reporting function of the Office of the Controller would be an appropriate place to provide the funding. The Controller's Office already provided the *Comprehensive Annual Financial Report* and this requirement was similar. Mr. Ferguson noted that this budget amendment had not been heard in the budget hearing and had been put forth by the Department of Administration since then and was the recommendation of the Governor.

Assemblywoman Kirkpatrick said she was aware that the PERS Board already had its own audit and wondered whether the GASB audit information would be submitted to the Legislature at some point.

Mr. Ferguson said it was his understanding that the contractor that would perform the GASB audit was the same contractor that was currently employed by PERS. He said the two audits would mesh, and it would be public information.

Mr. Smack explained that the GASB Statement No. 68 audit was a new requirement based on the Government Accounting Standards Board and was a comprehensive annual audit related to the PERS system. The Department of Administration was trying to find a place to house the $52,000 expenditure on an annual basis, and the Controller's Office was asked to make an amendment to its budget to house the funding for the required audit of the PERS employers.

Assemblyman Armstrong noted that the $52,000 was additional funding to comply with the GASB Statement No. 68 requirement, because currently the Office of the Controller already performed an annual audit. Mr. Smack replied Assemblyman Armstrong was correct, and the Office of the Controller was meeting the requirements.

Assemblyman Armstrong asked whether the $52,000 was the amount that the contractor, CliftonLarsonAllen, requested in addition to their current payments to comply with GASB Statement No. 68, or whether it was an estimate by the Office of the Controller.

Mr. Smack said it was an estimate from CliftonLarsonAllen.

Assemblyman Kirner stated he was a little confused. He said he was familiar with GASB Statement No. 68 and it was not a new requirement: it had been building for several years. There were other GASB rules that applied to pensions, and PERS had been handling those requirements all along. He asked what made GASB Statement No. 68 something that had to be handled outside of PERS.

Mr. Smack said he hoped the following statement would answer Assemblyman Kirner's question and read it into the record:

> In most cases, the pension liability will be material to the government's audited financial statements. This means that the allocation needed for the government's employers financial statements must be audited, and since PERS cannot pay for expenses not directly benefiting the plan, money for the audit must come from another source. It is neither practical nor cost effective for each auditor of government employers to audit their client's piece of the allocation. In addition, if this happened, PERS would be inundated with auditors and thus negatively impact their operations. By contracting with the PERS financial statement auditors to perform a separate engagement to audit the allocation, each government employer will then be provided with their piece of the allocation necessary to report on their audited financial statements. The audit of this allocation must occur on an annual basis.

Mr. Smack said the quote was from the Office of the Controller.

Assemblyman Kirner said he still did not understand. None of the testimony indicated that anyone had actually talked to the Executive Officer at PERS, so perhaps the Budget Division, Department of Administration, could provide more information and clarification.

Janet Murphy, Deputy Chief, Budget Division, Department of Administration, said there had been a meeting with the Executive Officer at PERS. She explained that what was different with GASB Statement No. 68 was that it was an audit of local governments. The audit would go through PERS, because it had all the contracts in place, but the audit of the financial statements was for the local entities and not of PERS itself.

Assemblyman Kirner said that if he was understanding correctly, PERS was going to determine the unfunded liability allocation for each participating government, but the PERS auditor was not going perform the audit—it would require the Office of the Controller to perform an outside audit.

Ms. Murphy said it was her understanding that GASB Statement No. 68 required an audit of the methodology and an outside auditor had to be used. She said because PERS was already set up with its auditor, it was determined to place that funding in the Office of the Controller, which would pay for the audit on the methodologies of local governments.

Assemblyman Kirner said it struck him as odd that this was the only time he knew of that PERS had requested the state to pay for anything.

Assemblywoman Benitez-Thompson remarked that many of the points she was planning to address had been answered, and the only thing that might not be in line with the GASB Statement No. 68 rule was that it said the audit should be performed biannually. She wondered why the audit was being proposed annually and asked why that was better public policy than biannually.

Assemblywoman Carlton commented that even with all of the discussion, she was still trying to figure out a few things. She said that it seemed that the Office of the Controller would be the fiscal agent for the funds to be passed through to the current auditor to do this job. Mr. Smack said that was correct.

Assemblywoman Carlton asked whether this audit had been performed before, and Mr. Smack replied that it had not.

Assemblywoman Carlton asked why the audit had not been performed before if GASB Statement No. 68 began in 2012.

Mr. Smack explained that there was to be an audit conducted for fiscal year 2014, which was being processed and would begin around July 1, 2015. The proposed amendment would pay for the audits for FY 2015 and FY 2016 and would be a pass-through from the Office of the Controller to CliftonLarsonAllen to conduct the audits.

Assemblywoman Carlton asked whether the decision unit before the Committee would pay for the audit for FY 2014, and Mr. Smack said the decision unit would pay for FY 2015 and FY 2016.

Assemblywoman Carlton asked how the audit for FY 2014 was being paid for, and Mr. Smack said the Office of the Controller had not been aware of the GASB Statement No. 68 requirement for the FY 2014 audit until well into FY 2015. He said it was a matter of finding $52,000 through different agencies to fund the FY 2014 audit.

Assemblywoman Carlton commented that the more questions that were asked, the more confused she became. She said she would be more comfortable if the Audit Division of the Legislative Counsel Bureau were involved in the discussion, because Committees received many reports and they had to be reviewed and the information shared with the Legislature.

Mr. Ferguson said he was not professing to be an expert, but he had done some research and believed this contract would have a single auditor look at the methodology of 190 local governments that contributed to PERS. He said if each local government were required have its own audit, there would probably be different results, but a single auditor would ensure consistency.

Assemblyman Kirner stated for clarification that GASB Statement No. 68 was announced in 2012 but went into effect now, which was the reason there had never been a prior audit. He said he was still attempting to understand why PERS could not do its own auditing of this particular aspect of business, as it did with everything else.

Ms. Murphy said it was her understanding, after discussing the subject with the Executive Officer at PERS, that its revenue stream could not be used because the audit was of local governments.

Chair Anderson asked whether Ms. Murphy's explanation had provided clarification for Assemblyman Kirner.

Assemblyman Kirner replied that it did not, because the local governments were not being audited. The distribution or the allocation of these numbers from the central government was being audited and that was PERS. He said it was the same way as PERS auditors worked, which was how PERS distributed benefits to beneficiaries. Assemblyman Kirner said the explanation did not work for him.

Assemblyman Armstrong said, as a follow-up and possible clarification, that he had checked the GASB website, and it said Statement No. 68 replaced the requirements of GASB Statement No. 27, which was accounting for pensions by state and local government employers. Assemblyman Armstrong stated that if Statement No. 68 was replacing Statement No. 27, which covered the pensions by state and local governments, it did not seem that this was a new requirement for the local government portion.

Mr. Ferguson said the Fiscal Analysis Division did not have an answer for Assemblyman Armstrong and perhaps PERS could provide an answer.

Assemblyman Armstrong said that if PERS was already paying for the audit under Statement No. 27, which covered the pensions by state and local governments, it did not seem like Statement No. 68 would be outside of that scope and PERS would be prevented from paying for it.

Assemblyman Edwards said he did not know whether the Committee ever received an answer as to why an internal audit agency within the government was not being used for this audit. The state already had two audit agencies—both outside PERS—which Assemblyman Edwards thought could perform the same work and probably cheaper.

Mr. Ferguson stated he could only speak for the Legislative Counsel Bureau Audit Division, but this audit was not within its purview. The Audit Division typically audited state agencies using government accounting standards, and this audit required something completely different.

Chair Anderson commented that he did not believe there was consternation about the dollar amount, and the Committee was trying to acquire a better understanding of what needed to be accomplished. While it had been clarified why PERS funds could not be used, Chair Anderson believed Assemblyman Kirner, Assemblyman Armstrong, and others had brought up several good questions.

Chair Anderson requested more information on this budget amendment and stated that the Committee would take no action at this time.

Mr. Ferguson said under other closing items, the Governor recommended State General Fund appropriations totaling $345,355 in fiscal year FY 2016 and $101,631 in FY 2017 for a number of pieces of replacement equipment. The replacement equipment included conference chairs, 17 desktop PCs, check printing software, and server hard drives and tape drives related to disaster recovery. The recommendations for replacement equipment appeared reasonable to Fiscal Analysis Division staff.

The second other closing item was State General Funds of $1,472 over the 2015-2017 biennium for the purchase of a piece of software that would accurately and efficiently calculate the present value of future payments over extended time periods. Mr. Ferguson said this other closing item was in accordance with a new GASB standards statement and appeared reasonable to Fiscal Analysis Division staff.

The Executive Budget recommended the receipt of $955,745 in FY 2016 and $959,637 in FY 2017 from the Debt Recovery Account (BA 1140) to pay anticipated contract costs associated with the new debt collection system. The recommendation appeared reasonable to Fiscal Analysis Division staff.

Mr. Ferguson asked whether the Committee wished to approve all other closing items as recommended by the Governor. Fiscal Analysis Division staff requested authority to make technical adjustments to this budget as necessary.

In response to Assemblyman Edwards' question regarding the debt recovery contract costs, Mr. Ferguson said those funds were transferred from the Debt Recovery Account to pay the contract costs for the new debt collection system that had already been approved by the Interim Finance Committee (IFC) in August of 2014.

ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE ALL OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1130 AS RECOMMENDED BY THE GOVERNOR, AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

Assemblyman Edwards stated he would be voting no, because he did not believe the monetary amount that was needed for the debt recovery software had been determined.

THE MOTION CARRIED. (Assemblyman Edwards voted no.)

ELECTED OFFICIALS
ELECTED OFFICIALS
CONTROLLER - DEBT RECOVERY ACCOUNT (101-1140)
BUDGET PAGE ELECTED-241

Jeff A. Ferguson, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1140, Office of the Controller, Debt Recovery Account.

Mr. Ferguson said the last account for the Office of the Controller was the Debt Recovery Account, budget account (BA) 1140. There were no decision units in this budget, but there had been discussion during the budget hearing about the increased debt collections.

At the August 27, 2014, meeting of the Interim Finance Committee (IFC), a contract was approved in the amount of $1.8 million for a new debt collection system, which was in the process of being implemented. Mr. Ferguson said the contract for that new system was structured so that the contractor would not receive payment until the system was in place and generating debt collections. Once debt collections were received, the contractor would be paid 75 percent of the debt collections retained in the Debt Recovery Account until the cost of the contract was satisfied. After the cost of the new system was paid, the Debt Recovery Account would retain 100 percent of the debt collections.

The Executive Budget projected the state's share of debt collections retained in this account would total $1.7 million in FY 2016 and $3 million in FY 2017. Those amounts were based on the Office of the Controller's total estimated debt collections statewide of $7.2 million in FY 2016 and $13.2 million in FY 2017.

Mr. Ferguson said that Senate Bill (S.B.) 26, which had been passed out of the Senate Committee on Government Affairs and currently resided in the Assembly Committee on Government Affairs, included language that authorized the Office of the Controller to garnish wages of individuals who owed debt to a state agency. Subsequent to the budget hearing, the Controller's Office indicated that the debt collection amounts recommended in The Executive Budget were based on the passage and approval of S.B. 26, and if that bill was not approved, the debt collection amounts would likely be reduced by approximately one-half.

According to Mr. Ferguson, during the Ways and Means Committee budget hearing, the Office of the Controller testified that the new debt collection system should be operational on approximately March 30, 2015. However, the agency indicated that date had been extended to approximately June 1, 2015. The Assembly Committee on Ways and Means questioned the Office of the Controller concerning the debt collection amounts that were reflected in the Debt Recovery Account, which were $1.7 million in FY 2016 and $3 million in FY 2017. The Office of the Controller indicated that those amounts were estimated by the contractor hired to provide the new debt collection system, and the contractor had extensive experience in providing similar debt collection systems in a number of other states. The amounts that were recommended to transfer to the Controller's Office budget to pay the costs for the new debt collection system, which were $955,745 in FY 2016 and $959,637 in FY 2017, were estimates per the contract with the vendor: the actual amounts transferred would be based on a percentage of the actual debt collections.

Mr. Ferguson said if debt collections were significantly less than estimated, the contractor would receive a proportionately smaller payment, and it would take longer for the contractor to receive the full payment. As a result, any difference between the budget amount of debt collections retained in this budget and the actual amount of debt collected would not have a detrimental effect on this budget, because it would simply reduce the payment amounts to the contractor and the amount retained in reserves.

Based on the contractor's estimates of total statewide debt collections from the new debt collection system, Mr. Ferguson said the debt collection amounts recommended in the Debt Recovery Account appeared reasonable.

Assemblyman Edwards stated that after looking at the numbers from revenues in 2013, 2014, and 2015, he did not understand how anyone could really believe the projected numbers provided by the contractor. He maintained that going from $30,000 to approximately $7 million was an incredible leap, especially when trying to collect debt.

Mr. Ferguson stated that the contractor was present during the August IFC meeting and personally submitted the figures, indicating that the contractor understood its liability. The contractor had installed similar systems in five other states, and based upon that experience and after considering Nevada's uncollected debt, these were the numbers the contractor believed could be collected. Mr. Ferguson said the IFC approval was based on the contractor's testimony, with the understanding that the debt collection would be significantly greater than it had been previously.

Assemblyman Edwards remarked that after working with government contracting, he believed there would be modifications, and he did not believe the contractor's projections.

Assemblywoman Benitez-Thompson said she had several questions because she was new on the Assembly Committee on Ways and Means. She asked whether there was a time when the first payment might be due.

Mr. Ferguson explained that first, the system had to come on line and that was projected to be around June 1, 2015. As debt was collected in the Debt Recovery Account, 75 percent of that amount would go to the contractor to start paying off the $1.8 million contract cost. The approximately $900,000 in each year of the upcoming biennium was the contractor's estimate of 75 percent of the debt anticipated to be collected.

Assemblywoman Benitez-Thompson asked whether she was correct that the money would be allocated and held in the Controller's budget until an invoice was received by the Office of the Controller and then the bill would be paid.

Mr. Ferguson replied that the allocation would not be in the budget until the debt was actually collected. He was not certain how often the funds would be transferred, but probably monthly, and 75 percent of the debt collected would go to pay off the contract cost for the new debt collection system, regardless of the amount. Mr. Ferguson emphasized that the amounts contained in the budget were estimates.

Assemblywoman Benitez-Thompson wondered whether there was a way for the Committee to be informed when bills for the system were due.

Chair Anderson said that, if he understood correctly, the Office of the Controller was being authorized to expend the allocation after the debt was collected. He summarized that the debt collection system would cost nothing if no debt was collected, and if $100 or $100,000 or $1 million was collected, the Controller's Office had the authority to pay the vendor for collecting those debts.

Mr. Ferguson said Chair Anderson was correct, and the vendor would be paid 75 percent of whatever amount was collected.

Assemblywoman Benitez-Thompson asked whether administrative costs referred to staff within the Controller's Office or to administrative costs of the contractor.

Mr. Ferguson did not believe there were any separate administrative costs to the contractor for the system.

Assemblywoman Benitez-Thompson asked whether the budget was authorizing monies for the Controller's Office to pay for administrative costs.

Mr. Ferguson explained that the costs being discussed were just for the contract for the new debt collection system. He said there were small amounts of transfers from this account [BA 1140] to the Controller's Office, approximately $30,000 annually. Those transfers were used to fund administrative costs incurred in the Controller's Office for overall debt collection, not specific to this contract.

Assemblywoman Kirkpatrick remarked that she had been the chair of the Assembly Committee on Government Affairs when a system was first approved to pursue the collection of outstanding debts, instead of waiting until the debts were 15 years old. She hoped this new system would finally solve the debt collection problem, although she believed it would take much longer than proposed to pay off the contract. Her concern was that many of the debts would be difficult or impossible to collect, noting that a 2009 bill provided for the write-off of uncollectible debt to allay the notion that lots of uncollected money was available. She wanted to make sure the Legislature received reports on how well the new system was performing and that the contractor simply was not receiving payments because of the newer and easier method to collect debt. Assemblywoman Kirkpatrick asked whether those things were talked about at the IFC meeting, because she did not recall such a discussion.

Mr. Ferguson said an agency had the opportunity to collect debts before turning them over to the Office of the Controller, which was after the agency had been unsuccessful. The debt to be collected by the Controller was, by definition, debt that was harder to collect. Mr. Ferguson tried to recall, when the contract was approved by IFC, whether there was a requirement to report back to IFC on how well the system was working. He maintained it was fairly transparent if one looked at the state's accounting system through the Data Warehouse of Nevada (DAWN), but reporting to the Committee was an option that could be required.

Chair Anderson thanked Mr. Ferguson for the clarification. He informed the Committee that he was comfortable with budget account 1140 and believed it was "pay for performance." He said there was no real expenditure unless the state actually received some debt collection. Chair Anderson requested a motion to approve this budget.

ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE BUDGET ACCOUNT 1140 AS RECOMMENDED BY THE GOVERNOR, INCLUDING AUTHORITY FOR FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Benitez-Thompson and Edwards voted no.)

BUDGET CLOSED.

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FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION - FLEET SERVICES (711-1354)
BUDGET PAGE ADMIN-202

Mandi Davis, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1354, Fleet Services.

Ms. Davis stated budget account (BA) 1354 was not previously heard by the Assembly Committee on Ways and Means, and Fiscal Analysis Division staff was responsible for producing the closing recommendations. The Fleet Services Division, Department of Administration, provided ground transportation services for state employees and currently operated a fleet of approximately 900 vehicles, which were dispersed throughout the state. The Division was primarily funded through vehicle rental fees.

There were no major closing issues in this account.

Ms. Davis said that under other closing items, item number 1 was a reclassified position that was approved by the Interim Finance Committee (IFC) at its January 22, 2015, meeting to reclassify a program officer to an equipment mechanic. Fiscal Analysis Division staff recommended a technical adjustment to adjust the funding for the position to accommodate the higher grade.

Item number 2 was for an employee to attend a training conference from the software provider for the system used by the Division to manage its vehicle fleet.

Ms. Davis said item number 3 was funding to be transferred to the Fleet Services Capital Purchase account to purchase replacement vehicles.

Item number 4 and item number 5 requested transferring funds to the Fleet Services Capital Purchase account to purchase new vehicle maintenance equipment.

Ms. Davis said item number 6 requested operating costs for the new vehicles that were requested. This recommendation appeared reasonable, contingent upon approval of the recommendation for new vehicles in the Fleet Services Capital Purchase account.

Item number 7 and item number 8 were for building maintenance for the Las Vegas and Carson City offices. Fiscal Analysis Division staff noted that in other closing item number 8, the original request included funding of $14,000 in fiscal year (FY) 2016 for the Carson City office, based on an estimate in a facility condition analysis report published by the State Public Works Division in 2004. An updated report was published in 2012 with an estimated cost of $25,000, and Fiscal staff recommended a technical adjustment to increase the amount to $25,000.

According to Ms. Davis, item number 9 concerned cost-allocation adjustments, and item number 10 concerned the recommended Fleet Services vehicle rates. These rates would generate a projected ending reserve balance for the Division at the end of FY 2017 to cover approximately 42 days of operating expenditures. The targeted amount for this budget was for 45 days.

Ms. Davis asked whether the Committee wished to approve other closing items as recommended by the Governor, with the technical adjustments noted in other closing items 1, 3, and 8, and provide Fiscal Analysis Division staff with authority to make other technical adjustments as needed, including those based on closing decisions made by the Committee in other budgets.

> ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE BUDGET ACCOUNT 1354 AS RECOMMENDED BY THE GOVERNOR, WITH TECHNICAL ADJUSTMENTS NOTED IN OTHER CLOSING ITEMS 1, 3, AND 8, AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY, INCLUDING THOSE BASED ON CLOSING DECISIONS MADE BY THE COMMITTEE IN OTHER BUDGETS.
>
> ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

* * * * *

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
ADMINISTRATION - FLEET SERVICES CAPITAL PURCHASE (711-1356)
BUDGET PAGE ADMIN-211

Mandi Davis, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1356, Fleet Services Capital Purchase.

Ms. Davis stated budget account (BA) 1356 had not been previously heard by the Assembly Committee on Ways and Means. The Fleet Services Capital Purchase account received depreciation expenses from the Fleet Services operating budget to purchase vehicles and large equipment items. There were no major closing issues in this account.

Ms. Davis said item number 1 in other closing items included the recommendations for replacement of new vehicles. The request was for 146 replacement vehicles and associated equipment, and all vehicles recommended for replacement would be at least seven years old or have at least 100,000 miles, in accordance with the state's vehicle replacement policy.

The second other closing item requested 132 new vehicles and associated equipment. Ms. Davis explained that these vehicles were requested by other state agencies that either wanted to add to their fleets or to transition the agency-owned vehicles to the Fleet Services Division. The agency indicated that one camper shell recommended for purchase in fiscal year (FY) 2017 for $4,000 was no longer needed and could be removed from this request.

A technical adjustment was recommended to align the title fees associated with the new and replacement equipment. Fiscal Analysis Division staff also noted that The Executive Budget proposed to fund all replacement vehicles with fund transfers, based on realized depreciation from the Fleet Services administration budget, and to fund all new vehicles with State General Fund appropriations and State Highway Fund authorizations. Fiscal staff recommended technical adjustments to properly align the funding sources recommended for the purchase of replacement and new vehicles to ensure that State General Fund appropriations only supported vehicles for General Funded agencies.

Ms. Davis said the overall net effect of this adjustment between the enhancement units would be zero dollars.

Ms. Davis stated other closing items number 2 and number 3 would receive the transfers from the administration account and purchase the large equipment items for replacement and new vehicle maintenance equipment.

Fiscal Analysis Division staff recommended BA 1356 be closed with the technical adjustments noted in other closing item 1 and requested authority to make technical adjustments for the addition or deletion of fleet services vehicles, based on Committee decisions made in other budgets when they were closed, and other technical adjustments as needed.

Assemblywoman Carlton said as she understood it, under replacement vehicles, the Fleet Services Division was replacing what it currently had, but included under new vehicles would be vehicles in addition to the replacement vehicles, so those numbers should be added together.

Ms. Davis stated that was correct: there were two separate requests. The number of replacement vehicles was 146, and the new vehicles would total 132.

Assemblywoman Carlton stated that she was a little concerned that the Division might be purchasing vehicles for employees that could not be hired. She said the last thing she wanted was to have to build a parking lot to put the cars in, waiting for the employees to show up, because apparently the state could buy vehicles, but not hire employees.

Chair Anderson commented that he believed that was a valid concern. He also noted that it appeared that some agencies were moving toward using the Fleet Services Division vehicles instead of replacing agency-owned vehicles.

Assemblyman Edwards said he did not understand the justification for all the vehicles because combined, about one-third of the 900 vehicles would be replaced, and that was a lot in one year. In addition, he did not see any costs for the maintenance that went with the purchase.

Ms. Davis said the 132 new vehicles were requested by other agencies that wished to either expand their vehicle needs or replace their agency-owned vehicles with those rented from Fleet Services Division. Fleet Services would be purchasing the vehicles, but the purchases were based on requests received from other state agencies.

Assemblyman Edwards said he did not understand how stringent the justification process was, so he wondered whether 132 vehicles could be removed from this request.

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that as the Committee reviewed the budgets for the various agencies, a request for funding either to replace a vehicle in their fleet that was agency-owned or to augment a fleet was indicated in individual budget accounts. Ms. Jones said as those decisions were made in the closings of agency accounts, there would be technical adjustments, as Ms. Davis had indicated. She explained that if an agency was not approved for funding to support a Fleet Services vehicle, it would be reduced in BA 1356 as a technical adjustment, and those requests were vetted individually in each agency budget.

> ASSEMBLYMAN KIRNER MOVED TO APPROVE BUDGET ACCOUNT 1356 AS RECOMMENDED BY THE GOVERNOR, WITH TECHNICAL ADJUSTMENTS NOTED IN OTHER CLOSING ITEM 1, AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE TECHNICAL ADJUSTMENTS FOR THE ADDITION OR DELETION OF FLEET SERVICES VEHICLES BASED ON COMMITTEE DECISIONS MADE IN OTHER BUDGETS WHEN CLOSED, AND OTHER TECHNICAL ADJUSTMENTS AS NEEDED.
>
> ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblywomen Benitez-Thompson and Kirkpatrick were not present for the vote.)
>
> BUDGET CLOSED.

* * * * *

ELECTED OFFICIALS
ELECTED OFFICIALS
OFFICE OF THE GOVERNOR (101-1000)
BUDGET PAGE ELECTED-7

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated the next account scheduled for closing was budget account (BA) 1000, Office of the Governor. This account was previously heard by the Assembly Committee on Ways and Means on February 3, 2015.

Ms. Jones informed the Committee that the Office of the Governor, BA 1000, had no major closing issues; however, Fiscal Analysis Division staff pointed out a technical adjustment in other closing items. Ms. Jones noted the 1999 Legislature approved a statutory change, at the request of Governor Kenny Guinn, to remove staff of the Governor's Office from the classified or unclassified service, making them nonclassified employees. The Office of the Governor had received the flexibility to determine the pay and job responsibilities of staff within the Governor's Office and also within the resources provided to the Governor's Office to support those salaries.

The Executive Budget, as submitted, included $29,756 more in each year of the biennium than the amount approved by the 2013 Legislature for the current biennium. In an April 8, 2015, correspondence to the Committee and in response to Fiscal Analysis Division staff questions, the Budget Division, Department of Administration, indicated that the total salary amount, based on the employee/employer basis, should be adjusted to the amount approved by the 2013 Legislature for the salary portions of the Payroll category. Therefore, Fiscal Analysis Division staff made the adjustment to one position that was vacant and to another position that was currently being supported by grant funds as approved by the Interim Finance Committee (IFC) for the fellow position. As a result, the total adjustment, including benefits, resulted in a State General Fund reduction of $36,028 in fiscal year (FY) 2016 and $35,963 in FY 2017.

The other closing items in this account provided for replacement equipment for some computer software and a printer and FAX machine, and a cost allocation for the Division of Human Resource Management, Department of Administration, to provide human resource services to the Office of the Governor.

Fiscal Analysis Division staff recommended that all other closing items be approved as recommended by the Governor, with a technical adjustment noted by Fiscal staff, and requested authority to make any other necessary technical adjustments.

> ASSEMBLYMAN HICKEY MOVED TO APPROVE BUDGET ACCOUNT 1000 AS RECOMMENDED BY THE GOVERNOR WITH THE TECHNICAL ADJUSTMENT NOTED, AND TO AUTHORIZE THE FISCAL ANALYSIS DIVISION STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NEEDED.
>
> ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.

Assemblywoman Carlton said she still had some concerns about not having the manager for the southern Nevada office or the veteran's liaison and converting them over to a veteran's policy analyst and a constituent services director. She wanted to be certain the services that were actually needed were in place, but she understood that these decisions were not controlled in any way by the Legislature. She said she hoped that what was being done with the constituent services director was actually serving the constituents.

Ms. Jones said that in the April 8, 2015, response from the Office of the Governor to the Committee regarding those issues, there was some comment about the assignments of the staff as reorganized. The letter indicated that the constituent services position in southern Nevada also acted as the manager of the southern Nevada office.

Ms. Jones explained that the veteran's liaison position was hired at a higher rate than the amount included in The Executive Budget, commensurate with the salary that the incumbent had been paid in the previous position.

> THE MOTION CARRIED. (Assemblywoman Kirkpatrick was not present for the vote.)
>
> BUDGET CLOSED.

* * * * *

ELECTED OFFICIALS
ELECTED OFFICIALS
GOVERNOR'S MANSION MAINTENANCE (101-1001)
BUDGET PAGE ELECTED-11

Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1001, Governor's Mansion Maintenance.

Ms. Jones stated budget account (BA) 1001 was heard by the Ways and Means Committee on February 3, 2015, and there were two major closing issues in this account. The first major closing issue was a request for $34,455 in fiscal year (FY) 2016 and $24,700 in FY 2017 to support deferred maintenance items, including driveway, sidewalk, retaining wall, flooring, and roof repairs. During testimony before the Committee, the Budget Division, Department of Administration, indicated that no life-safety items or issues remained to be addressed at the Governor's Mansion.

The 2013 Legislature approved $58,200 in deferred maintenance projects for the current biennium; however, only $17,313 of the amount was expended on the approved projects in FY 2014. In response to Fiscal Analysis Division staff and Assembly Committee on Ways and Means questions, the Budget Division indicated that deferred maintenance items, including the drainage project and the painting project, would soon be completed. The maintenance project for drainage would be completed by April 25, 2015. Ms. Jones said the Budget Division indicated that the painting project was being combined with the Capital Improvement Program (CIP) that addressed exterior finish problems with the Governor's Mansion, and the project would start on May 1, 2015, and be completed by August 31, 2015.

> ASSEMBLYMAN EDWARDS MOVED TO APPROVE DECISION UNIT MAINTENANCE (M) 425, DEFERRED MAINTENANCE PROJECTS, IN BUDGET ACCOUNT 1001 AS RECOMMENDED BY THE GOVERNOR.
>
> ASSEMBLYWOMAN DICKMAN SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblywoman Kirkpatrick was not present for the vote.)

Ms. Jones said the next major issue in budget account (BA) 1001 was out-of-state travel, decision unit Enhancement (E) 226. The Executive Budget recommended $3,869 in each year of the biennium for the First Lady and staff to attend conferences on the topics of education and nutrition. This recommendation was in addition to $2,034 of out-of-state travel funds that were already included in the base budget. Attendance at the conferences would allow for the sharing of information between Nevada and governmental agencies of other states. The Committee had previously inquired about how participation in education and nutrition conferences would benefit the state of Nevada. The Budget Division indicated in its follow-up response that the First Lady had been instrumental in providing resources and support to obtain several grant opportunities.

The Budget Division further indicated in the follow-up response that the First Lady provided support and coordination with the Office of Grant Procurement, Coordination and Management, Department of Administration, which contributed to Nevada being awarded three grants. The first was a grant to the Department of Health and Human Services for the Supplemental Nutrition Assistance Program (SNAP) of $3.1 million to address hunger for disadvantaged youth in Clark County.

According to Ms. Jones, the second grant the First Lady was involved with was awarded to the Department of Education for a pre-kindergarten (pre-K) development grant of $43.8 million over four years to provide pre-K and wraparound services to high-need families in Washoe, Clark, Churchill, and Nye Counties.

The third grant was also to the Department of Education, which was awarded a Project AWARE grant from the Presidential Now is the Time initiative of $1.95 million each year for the next five years to address mental health issues in the Pershing, Lander, and Humboldt County school districts and any charter schools in those districts.

Assemblyman Sprinkle stated that when this budget account was heard during the initial hearing, he had some questions about the validity of providing travel expenses for the First Lady. Although he believed he was now able to vote in favor of travel expenses, he suggested that in the future, the Department of Administration submit a report demonstrating how the allocation of these dollars was helping to bring specific grants to the state.

Ms. Jones said she expected that the outcomes of specific grants would be provided through the departments that received the grants, but if the Legislature wished to issue a letter of intent requesting a report from the Governor's Mansion budget regarding the First Lady's interactions with resulting grants, that would be the Committee's prerogative to do so.

Assemblywoman Titus stated she would be a no vote on this decision unit. Although she respected the First Lady and all of her efforts for the state, Assemblywoman Titus believed this was a precedent that she could not support.

Assemblywoman Carlton said that she supported this decision unit because she believed it was a team effort and the amount was less than $8,000 over the biennium. It seemed to her that the Committee was spending a lot of time dealing with small amounts that really benefited the state in the long run. Assemblywoman Carlton said if a representative of the state was not in the room at the conference to have the conversation, the state was not represented. There had been many times in the last six years since the economic downturn that Nevada had not been in the room and, therefore, had not received the benefit of the discussion. She would support this decision unit and hoped that in the future, the state could move toward a more sustainable and efficient way of providing travel expenses for the First Lady.

Chair Anderson said it was easy for him to approve this decision unit because for an under $10,000 a year out-of-state travel request, the state had seen a $49 million return. He said he would accept a motion to approve the Governor's recommendation for out-of-state travel funding for the First Lady.

> ASSEMBLYMAN EDWARDS MOVED TO APPROVE DECISION UNIT ENHANCEMENT (E) 226, OUT-OF-STATE TRAVEL IN BUDGET ACCOUNT 1001, AS RECOMMENDED BY THE GOVERNOR.
>
> ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblywoman Titus voted no. Assemblymen Armstrong and Kirkpatrick were not present for the vote.)

Ms. Jones said there were three other closing items in BA 1001. The first other closing item was similar to the one just discussed in which The Executive Budget recommended a total salary amount that was slightly more than the amount approved by the 2013 Legislature. Ms. Jones said the positions in this account, like those in the Office of the Governor, were nonclassified employees, and the Governor had the authority to establish and set the salaries of the positions. The amount included in the recommended budget for the upcoming biennium was $8,744 more in each year of the biennium than the amount approved by the 2013 Legislature. The Budget Division, as it did in budget account (BA) 1000, concurred with removing those amounts. Fiscal Analysis Division staff made a technical adjustment to a position that was used on an hourly basis, as needed, and with the technical adjustment, Fiscal staff was agreeable to the amounts requested.

Ms. Jones informed the Committee that there were two other closing items. One other closing item requested $669 for a replacement printer, and the other was a cost allocation to provide human resource services support by the Division of Human Resource Management, Department of Administration.

Fiscal Analysis Division staff recommended that all other closing items be approved as recommended by the Governor, with the technical adjustment noted by staff, and requested authority to make other technical adjustments as necessary.

ASSEMBLYMAN EDWARDS MOVED TO APPROVE ALL OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1001 AS RECOMMENDED BY THE GOVERNOR, WITH AUTHORITY FOR THE FISCAL ANALYSIS DIVISION STAFF TO MAKE THE TECHNICAL ADJUSTMENT NOTED AND OTHER NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Armstrong and Kirkpatrick were not present for the vote.)

BUDGET CLOSED.

* * * * *

ELECTED OFFICIALS
ELECTED OFFICIALS
TREASURER - STATE TREASURER (101-1080)
BUDGET PAGE ELECTED-179

Stephanie Day, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented budget account 1080, State Treasurer.

The State Treasurer's budgets were heard by the Assembly Committee on Ways and Means on February 12, 2015. There were four major closing issues in this budget account.

The first major closing issue was the request for a management analyst position for the new microloan program, decision unit Enhancement (E) 250. On February 17, 2015, the State Treasurer requested to withdraw this request. Based on the withdrawal of the request, Fiscal Analysis Division staff recommended that the Committee not approve this decision unit.

ASSEMBLYMAN EDWARDS MOVED TO NOT APPROVE THE ADDITION OF A MANAGEMENT ANALYST POSITION FOR A NEW MICROLOAN PROGRAM, PURSUANT TO THE REQUEST OF THE STATE TREASURER.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblymen Armstrong and Kirkpatrick were not present for the vote.)

Ms. Day stated that the second major closing issue was an increase in in-state travel, decision unit E-225. The original request was for 29 additional in-state trips. However, Fiscal Analysis Division staff received formal communication from the State Treasurer on February 17, 2015, proposing to reduce the request to 15 additional in-state trips per fiscal year. Additionally, the Office of the State Treasurer requested round-trip airfare between Reno and Las Vegas at $242.20 each for Las Vegas staff traveling to Carson City, and $182.20 each for Carson City staff traveling to Las Vegas. In response to questions from Fiscal Analysis Division staff, the Office of the State Treasurer had requested the round-trip airfare for all trips be consistent at $216.50 each, which appeared reasonable to Fiscal staff.

Ms. Day stated the revised request for 15 additional in-state trips, including the adjustment to round-trip airfare, totaled $10,658 per fiscal year. Fiscal Analysis Division staff had made a technical adjustment to reduce the number of in-state trips from 29 to 15 and adjusted the round-trip airfare cost as mentioned previously.

According to Ms. Day, the request, as revised by the Office of the State Treasurer, would increase in-state travel from $6,606 in fiscal year (FY) 2014 to $17,264 in each fiscal year of the 2015-2017 biennium, which was a 161.3 percent increase.

Assemblywoman Carlton commented that the Office of the State Treasurer would have to book the airline reservations early to receive the fares at the price quoted. She asked what base the Office was using.

Chair Anderson stated that from his notes, he believed there was a base of $6,606 in FY 2014 with the addition of $10,658, to a total of $17,264 in each fiscal year of the 2015-2017 biennium.

Assemblywoman Carlton said there was $6,606 worth of travel, and the request was to add $10,658. She pointed out that the Office of the State Treasurer was in Carson City and located in a really nice office across the mall.

Assemblywoman Titus commented that she had concerns about this travel budget. She said she was also wondering how the 15 additional trips compared to what were originally requested or what the former State Treasurer did in the last biennium. She also remarked that the office was in Carson City, and while she understood there was some travel involved, she wondered about the number of employees that were traveling.

Grant Hewitt, Chief of Staff, Office of the State Treasurer, said he would attempt to clarify the travel situation for members of the Committee. He said that in prior administrations, travel was budgeted in the Office of the State Treasurer through various accounts, such as the Nevada College Savings Trust budget account.

Assemblywoman Benitez-Thompson said that as she was reading information that the Office of the State Treasurer submitted, it appeared that the State Treasurer, according to the revised budget, would be in Carson City for one week every other month and during the week that he was here, would have a per diem of $653, as well as a motor pool allocation. She asked whether that was correct.

Mr. Hewitt replied that the submission was prior to his employment with the Office, and he apologized for not having the exact answer. The State Treasurer was currently in Carson City, and the Office was attempting to increase the ability to manage staff and programs that were operated out of the Las Vegas office. There were three offices in Las Vegas in the Grant Sawyer State Office Building that controlled unclaimed property and the college savings programs. Mr. Hewitt said the State Treasurer would not be taking per diem while he was in Las Vegas because he had a residence and would be staying there. The Office of the State Treasurer was requesting air travel costs for the State Treasurer and Mr. Hewitt to travel to Las Vegas to manage staff.

Assemblywoman Benitez-Thompson said she was looking at the information that was submitted from the Office of the State Treasurer about BA 1080, and it showed per diem and motor pool costs.

Ms. Day said that Assemblywoman Benitez-Thompson was correct. The Office of the State Treasurer had submitted information at the prior Committee hearing. The per diem for the State Treasurer's travel for each trip was $653: $146 in motor pool, $60 for a personal vehicle, and airfare for each trip.

Assemblywoman Benitez-Thompson said what she wanted explained was that because the state capital was Carson City, why there was an allocation for per diem, motor pool, and a personal vehicle, especially if the State Treasurer and his chief of staff were traveling by air for work in Carson City.

Mr. Hewitt replied that he would not be able to provide an exact answer, because the State Treasurer would be going to Las Vegas from Carson City. He said that when the original budget request was made, the State Treasurer had not moved to Carson City, but now that he had, he and Mr. Hewitt would be traveling to Las Vegas to work in that office. Mr. Hewitt emphasized that the State Treasurer was not living in Las Vegas: he was living in Carson City. According to Mr. Hewitt, a budget update had not been provided since Mr. Schwartz took office.

Assemblywoman Benitez-Thompson said she apologized, because she thought she was working with the responses provided by the Office after the last hearing. She said it sounded like the Committee was going to receive additional revised information.

Mr. Hewitt said he would provide the Committee with additional information for clarification.

Assemblywoman Carlton said she did not want to muddy the waters any more, but asked whether in the $10,000-plus being requested, the per diem amount was included. Ms. Day replied that it was.

Assemblywoman Carlton said she had some concerns with that, because it appeared to be on top of the State Treasurer's paycheck.

Chair Anderson remarked that if the State Treasurer was living in Carson City and now he was going to be traveling and receiving per diem, that would seem to change the request.

Mr. Hewitt said he agreed with Chair Anderson and hoped the Committee would take no action on this item to allow the Office of the State Treasurer to clarify the request.

Ms. Day asked to provide additional information: the original request that was provided to Fiscal Analysis Division staff was for the State Treasurer to travel from Las Vegas to Carson City. According to testimony today, now that the State Treasurer had moved to the north, the travel would actually be Carson City to Las Vegas to work in the Las Vegas office.

Assemblywoman Dickman commented that she did not understand why the State Treasurer would need per diem, regardless of where he was, because he was being paid.

Mr. Hewitt stated that he agreed, and a correction would be submitted to remove the per diem from the budget. He added that the State Treasurer was not receiving any per diem for travel that he had already completed.

Chair Anderson requested that Cindy Jones, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, clarify when per diem applied and when it did not, for future discussion.

Ms. Jones explained that per the *State Administrative Manual*, a person could claim per diem if he was traveling and was at least 50 miles from his assigned duty station. The person could choose not to seek reimbursement, but was entitled to seek reimbursement. She said the reimbursement amounts were based on the U.S. General Services Administration schedule.

Chair Anderson informed the Committee that he agreed with Mr. Hewitt, and there would be no action taken until there was clarification and revision submitted by the Office of the State Treasurer.

Ms. Day said the third major closing issue in this budget was the office moving/remodeling in Las Vegas, decision unit Enhancement (E) 226. The Governor recommended a total of $50,000 through four budget accounts affected by this project. In budget account (BA) 1080, $3,750 in Treasurer's assessments in FY 2016 was recommended to fund moving and remodeling costs to meet the agency's current needs in Las Vegas. Ms. Day said, although the recommendation was included in the Millennium Scholarship Administration (BA 1088) and Unclaimed Property (BA3815) budgets, the request for the Higher Education Tuition Administration budget (BA 1081) was inadvertently excluded from The Executive Budget.

Fiscal Analysis Division staff had worked with the agency and the Budget Division, Department of Administration, to determine the technical adjustment that would be made by Fiscal staff in the Higher Education Tuition Administration budget if this decision unit was approved by the Committee. According to information included in The Executive Budget, the current space occupied by the Office of the State Treasurer in the Grant Sawyer Building was spread out over three sections in the building and was too small for the agency's current needs. Based on responses to questions from Fiscal Analysis Division staff, as of April 15, 2015, the Office of the State Treasurer did not have definitive information on plans or costs regarding the office consolidation and/or relocation. Fiscal Analysis Division staff would ensure that the companion budgets were updated to accurately reflect the decision made by the Committee in this budget.

Assemblywoman Carlton said she had some concerns about entering into a remodeling project without plans, and she wanted more information about the project before voting on it.

Assemblyman Armstrong said that he shared the concerns of Assemblywoman Carlton. He said it might be appropriate to have the Office of the State Treasurer appear before the Interim Finance Committee (IFC) when plans for the remodel were available.

Chair Anderson said the Committee could take that position, and he agreed that Assemblywoman Carlton's concerns were valid. There seemed to be no detailed information other than the desire to put a new space together with no viable plan. Chair Anderson said he would take a motion to deny this request and advise the Office of the State Treasurer to appear before IFC when details had been worked out.

> ASSEMBLYWOMAN KIRKPATRICK MOVED TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO FUND MOVING/REMODELING COSTS FOR THE OFFICE OF THE STATE TREASURER IN LAS VEGAS, DECISION UNIT E-226 IN BUDGET ACCOUNT 1080.
>
> ASSEMBLYMAN HICKEY SECONDED THE MOTION.
>
> THE MOTION CARRIED. (Assemblyman Edwards was not present for the vote.)

Ms. Day stated that other closing item number 4, position changes, had not been heard by the Committee. Budget Amendment A150781080 was received by the Fiscal Analysis Division, Legislative Counsel Bureau, on April 15, 2015, recommending $123,154 over the 2015-2017 biennium to reclassify an accounting assistant position to a management analyst, effective July 2015, and add a public information officer position, effective October 2015.

Ms. Day stated she would like to present the other closing item as two different items if there was no objection. The first item was the reclassification of an accounting assistant position. The Interim Finance Committee (IFC) approved the addition of a management analyst position for the merchant services program on December 11, 2012, to support the state's e-payment/merchant services program and provide oversight of the arbitrage program. Ms. Day said the request would provide total funds of $9,082 over the biennium for an additional management analyst position for the merchant services program. According to information in the budget amendment, the additional management analyst position was necessary because of a 31 percent increase since FY 2012 in agencies that were now using e-payment, as well as an increase in transactions from 2.4 million in FY 2012 to over 3 million in FY 2014. Although the information provided by the Office of the State Treasurer stated that these increases had yielded a measurable increase in the workload for the merchant services program and resulted in the need for resources designated specifically for the management and oversight of the program, no information was provided to explain how the increase in agency and transaction volume affected the workload of the existing management analyst. Additionally, the information provided did not address the current workload of the accounting assistant position, which was requested to be reclassified.

Assemblyman Armstrong said he was confused as to why the Office of the State Treasurer was requesting reclassification of the accounting assistant position if there was an increase of 31 percent, because there was still one person performing the accounting assistant duties. He said it seemed that it would cause a second person to be needed and not just a reclassification.

Ms. Day explained that the request was to reclassify an existing accounting assistant position to a management analyst. Information was not provided to Fiscal Analysis Division staff regarding the duties that were currently performed by the accounting assistant or what would happen to those duties. She said the reclassification would allow the management analyst position to be used for the merchant services division.

Assemblyman Armstrong said it appeared that the agency was moving one position's duties to another spot within the agency for merchant services.

Mr. Hewitt explained that the state was currently undergoing a credit card merchant service change and was switching from one company to Wells Fargo Bank. He said it was taking an increasingly large amount of time to work with individual agencies to make that process happen. Mr. Hewitt said the upgrade from an accounting assistant to a management analyst was because the management analyst could help enforce and control that transition as the new system was installed. The current duties of the accounting assistant would be delegated throughout the staff to ensure coverage. According to Mr. Hewitt, there was an increase in workload because of the merchant service change. Credit card processing and credit card processing fees had become an increasingly touchy issue with agencies, and the Office of the State Treasurer was working with agencies to provide analyses on how various fees could cover the cost.

Assemblyman Armstrong asked Mr. Hewitt whether he was saying that the current accounting assistant was not needed because that position's work could be delegated.

Mr. Hewitt responded that he was not seeking to replace that position: he was seeking to reclassify the position and delegate the current duties of the position to other positions in the office.

Assemblywoman Carlton stated she was concerned, because state employees were being stretched thin anyway and there were not a lot of spare employees. Once the negotiation was finished, the systems set up, and the accounting assistant position converted to a management analyst position, Assemblywoman Carlton asked whether the management analyst would be reassigned the accounting assistant duties. She was trying to understand a permanent change in classification for a temporary negotiation.

Mr. Hewitt explained that as the workload reduced from the current transition of the merchant services, the additional duties would be added back. Currently, the Office of the State Treasurer was attempting to maintain the workload with the employees it had and was not asking to replace the original position.

Assemblywoman Carlton asked whether the current accounting assistant position, if upgraded, would stay a management analyst position.

Mr. Hewitt replied, yes, because the management analyst position would take over the day-to-day tasks. The Office of the State Treasurer was the point of contact for agencies as it related to merchant services. He stated that as agencies were moved and the credit card processing and credit card transactions of the state increased, the Office would need more staff.

Assemblywoman Carlton said there seemed to be a little confusion, because the Office of the Secretary of State performed some work in this area also.

Mr. Hewitt said the Secretary of State accepted credit cards and performed the programming for its agency, but the contract and the point of contact for the state with Wells Fargo Bank was the Office of the State Treasurer.

Assemblywoman Carlton asked whether the accounting assistant position was vacant.

Mr. Hewitt replied that the position became vacant in April, and through discussion in the Office of the State Treasurer, it was determined that a reclassification was in order. Rather than appear before IFC, it was decided to use the legislative process.

Assemblywoman Kirkpatrick said she had a problem reclassifying employees, because everybody employed by the state was looking for a pay increase, and the goal this session was for the Legislature to do the right thing and look at pay increases across the board. She said, unfortunately, the Legislature gave agencies no other option but to play a shell game with titles, but she would not support the reclassification.

Assemblywoman Bustamante Adams asked about the estimated time for completion for the transition to Wells Fargo Bank.

Mr. Hewitt stated the transition was on an individual agency-by-agency timeline decision. Two or three agencies had started the process, and it was hoped they would be transferred by the end of the year. The Office of the State Treasurer was working with the Department of Motor Vehicles and the Office of the Secretary of State, and when they were up and running, other agencies would probably sign on. Mr. Hewitt said there were no rules that required agencies to switch, but agencies needed to switch because the new contract provided better savings for the state. He noted there were a lot of negotiations and conversations before talking about how to set up a website to accept an e-payment through Wells Fargo Bank.

Chair Anderson commented that the Committee had to consider the big picture, and at this point, he wanted to deny this request and said he would take a motion to that end.

> ASSEMBLYWOMAN KIRKPATRICK MOVED TO NOT APPROVE THE GOVERNOR'S AMENDED RECOMMENDATION TO RECLASSIFY AN ACCOUNTING ASSISTANT POSITION TO A MANAGEMENT ANALYST POSITION FOR THE MERCHANT SERVICES PROGRAM IN BUDGET ACCOUNT 1080.
>
> ASSEMBLYMAN HAMBRICK SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Ms. Day said the next other closing item was a request for a public information officer. This request would provide $114,072 over the biennium for a new public information officer position, which was necessary to address inquiries, appointments, and press-related items that were currently handled by the chief of staff and the senior deputy Treasurer, according to the information included in the budget amendment. The position would be responsible for handling questions from the media, state and local officials, and the public regarding activities and programs managed by the Office of the State Treasurer; writing speeches for presentations; drafting articles for the public; interacting with the public; planning photoshoots; acting as a liaison with the school districts; and explaining technical activities and programs overseen by the Office of the State Treasurer.

Assemblyman Hickey asked whether the Office of the State Treasurer previously had a public information officer.

Mr. Hewitt replied that the Office had not, and the result was reflected by the lack of public awareness of the programs within the Office of the State Treasurer. The college savings programs had a 4 percent awareness within Nevada. Mr. Hewitt said there was a dramatic need for the Office of the State Treasurer to be able to communicate more quickly with the public as it related to the programs offered, including unclaimed property and college savings.

Assemblyman Hickey said he could recall hearing public information advertisements during the administrations of both former Treasurers, Brian Krolicki and Kate Marshall, about college savings and unclaimed property. He commented that it seemed that the Treasurer's position naturally allowed a certain visibility, and obviously, there were budgets to conduct public information campaigns. He said he would rather spend that money on a public information campaign than add it to a position that a competent elected official like a State Treasurer was capable of handling.

Assemblywoman Titus said she would not be able to support a public information officer when there were so many other budget issues. She believed it was important, as Assemblyman Hickey said, that the programs were advertised to the public, but believed that could be accomplished through public service announcements.

Chair Anderson asked what types of contracts were used when advertising for specific programs.

Mr. Hewitt replied that depending on the program, the Office of the State Treasurer had education and outreach programs, but what was lacking was someone to coordinate and make final decisions. Currently, coordination was divided among every person on the staff to answer those questions and to be the point of contact on a press release. Mr. Hewitt said the Office was attempting to increase its capacity to perform outreach by creating the position to coordinate everything. He added that he believed the Office of the State Treasurer was the only constitutionally elected office that did not have a public information officer.

Chair Anderson said he was not seeing an appetite to approve this particular position and recommended that the Office of the State Treasurer appear before the Interim Finance Committee to discuss the need for a public information officer. He said he would accept a motion to not approve this particular item.

> ASSEMBLYMAN ARMSTRONG MOVED TO NOT APPROVE THE GOVERNOR'S AMENDED RECOMMENDATION TO ADD A NEW PUBLIC INFORMATION OFFICER POSITION IN BUDGET ACCOUNT 1080.
>
> ASSEMBLYWOMAN BENITEZ-THOMPSON SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Ms. Day said there were two other closing items in this account, replacement equipment and new equipment, and those recommendations appeared reasonable. Fiscal Analysis Division staff recommended approving other closing items as recommended by the Governor and requested authority for staff to make technical adjustments as necessary.

> ASSEMBLYWOMAN DICKMAN MOVED TO APPROVE OTHER CLOSING ITEMS, DECISION UNIT ENHANCEMENT (E) 710, REPLACEMENT EQUIPMENT, AND DECISION UNIT E-720, NEW EQUIPMENT, AS RECOMMENDED BY THE GOVERNOR IN BUDGET ACCOUNT 1080, AND TO AUTHORIZE FISCAL ANALYSIS DIVISION STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.
>
> ASSEMBLYWOMAN KIRKPATRICK SECONDED THE MOTION.
>
> THE MOTION CARRIED UNANIMOUSLY.

Chair Anderson opened public comment and, hearing none, adjourned the meeting at 11:36 a.m.

RESPECTFULLY SUBMITTED:

____
Anne Bowen
Committee Secretary

APPROVED BY:

____
Assemblyman Paul Anderson, Chair

DATE: ______________________________

EXHIBITS

Committee Name: Assembly Committee on Ways and Means

Date: April 20, 2015 **Time of Meeting: 8:12 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster