

**MINUTES OF THE MEETING OF THE
SENATE COMMITTEE ON FINANCE
AND
ASSEMBLY COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEES ON PUBLIC SAFETY, NATURAL RESOURCES, AND
TRANSPORTATION**

**Seventy-ninth Session
May 16, 2017**

The joint meeting of the Subcommittees on Public Safety, Natural Resources, and Transportation of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair David R. Parks at 8:18 a.m. on Tuesday, May 16, 2017, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator David R. Parks, Chair
Senator Aaron D. Ford
Senator Pete Goicoechea

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Jason Frierson, Chair
Assemblyman Michael C. Sprinkle, Vice Chair
Assemblywoman Irene Bustamante Adams
Assemblyman Chris Edwards
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Sarah Coffman, Principal Deputy Fiscal Analyst
Leandra Copeland, Program Analyst
Adam Drost, Program Analyst
Jennifer Gamroth, Program Analyst
Colby Nichols, Committee Secretary
Cynthia Clampitt, Recording Secretary

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OTHERS PRESENT:

Rudy Malfabon, P.E., Director, Department of Transportation

CHAIR PARKS:

Is there anyone wishing to make public comment before we start budget closings? Seeing no one, we will begin with the Department of Motor Vehicles (DMV).

ADAM DROST (Program Analyst):

Our first budget account (B/A) today is 201-4717, Motor Carrier, beginning on page 3 of Closing List #9 ([Exhibit C](#)).

PUBLIC SAFETY

MOTOR VEHICLES

DMV - Motor Carrier — Budget Page DMV-80 (Volume III)
Budget Account 201-4717

The first major closing issue is on page 4. The Motor Carrier Division is responsible for the collection of motor fuel and special fuel taxes for the State and county governments. Historically, the Division utilized a cost allocation to calculate the amount of revenue that should be collected from the State and county governments for administering this collection; however, in recent years the Division has collected a flat 1 percent rate from the county governments for the collection of fuel taxes. *Nevada Revised Statutes* (NRS) 373.080 allows the DMV to be reimbursed by county governments for the services associated with the collection of optional and fuel revenue indexing, and this charge may not exceed 1 percent of the tax collected. Accordingly, the Legislative Counsel Bureau (LCB) Legal Division advised Fiscal staff that the current practice of charging the full 1 percent, regardless of cost of service, does not comply with NRS, which requires the DMV to base the fees charged to the county governments on the cost of its services.

Based upon the advice of the LCB Legal Division, a new cost allocation was developed that distributes the DMV's projected costs for the collection of motor

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fuel and special fuel taxes among the State and local governments, which results in an increase in Highway Fund appropriations of \$1.7 million in each year of the 2017-2019 biennium when compared to the Highway Fund appropriations recommended in the *Executive Budget*. Fiscal staff requests authority to enter this cost allocation as a technical adjustment, including establishing fund transfers of \$83,523 in each year of the biennium to the DMV Automation B/A 201-4715 to fund expenditures in that budget that are associated with local fuel tax collections. Since this cost allocation was developed late in the current Session, the DMV indicates it will study the cost allocation methodology over the 2017-2019 biennium to determine if any revisions may be appropriate in future cost allocations.

DMV - Automation — Budget Page DMV-29 (Volume III)
Budget Account 201-4715

Do the Subcommittees wish to approve a new cost allocation that will result in additional Highway Fund appropriations of \$1.7 million in each year of the 2017-2019 biennium? If so, Fiscal staff requests authority to enter this cost allocation as a technical adjustment.

SENATOR GOICOECHEA:

Would local governments be giving up \$1.7 million in funding?

MR. DROST:

In the current *Executive Budget*, the local governments would have been paying that. Instead, the State will be paying it since the 1 percent rate that had been changed is higher than the Department's cost for those services.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE A NEW COST ALLOCATION IN B/A 201-4717 TO REFLECT THE PROJECTED COST TO COLLECT MOTOR FUEL AND SPECIAL FUEL TAXES, WHICH WOULD RESULT IN ADDITIONAL HIGHWAY FUND APPROPRIATIONS OF APPROXIMATELY \$1.7 MILLION IN EACH YEAR OF THE BIENNIUM, WITH AUTHORITY FOR FISCAL STAFF TO ENTER THIS COST ALLOCATION AS A TECHNICAL ADJUSTMENT.

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ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

The second major closing issue is the elimination of the deputy administrator position, decision unit E-225. The DMV indicates the Division was reorganized, which has resulted in greater efficiencies and less required oversight by the deputy administrator position. The position has been vacant since July 2016, with most of the responsibilities of the position being assumed by the Division administrator and a management analyst.

E-225 Efficient and Responsive State Government — Page DMV-82

As background, a supervising auditor position was reclassified to establish the deputy administrator position by the 2013 Legislature. In addition, the 2013 Legislature approved the reclassification of eight existing DMV services technician positions as tax examiner positions. These reclassifications allowed for cross training in both the commercial vehicle registration and fuel taxes, and allowed these groups to be consolidated into a single section. The DMV indicates this reorganization allows for more efficient processing of customer transactions since one DMV staff member is able to conduct vehicle registration and fuel tax transactions at the same time, allowing for less oversight. The DMV further indicates there has been no interruption to the workflow of the Division as a result of this vacancy.

Do the Subcommittees wish to approve the Governor's recommendation to eliminate the vacant deputy administrator position?

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE THE VACANT DEPUTY ADMINISTRATOR POSITION IN B/A 201-4717, DECISION UNIT E-225.

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ASSEMBLYMAN FRIERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR FORD WAS EXCUSED.)

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MR. DROST:

The third major closing issue, found on page 5 of [Exhibit C](#), is the elimination of an auditor position, decision unit E-226. This position has been vacant since July 2016. The DMV indicates this position historically conducted International Registration Plan audits, which have decreased in recent years. This is due to the recent establishment of reciprocity agreements among states, which eliminated the need for trip permits that were previously required for commercial vehicles that travel across multiple states. With the elimination of these trip permits, the audits associated with assessing administrative fines for these permits have been eliminated.

E-226 Efficient and Responsive State Government — Page DMV-83

As background, the 2013 Legislature approved the reclassification of a DMV services technician position to an auditor position in response to a 2012 LCB audit that found the Motor Carrier Division had a backlog of over 1,500 citation audits. When the LCB audit was conducted, the Nevada Highway Patrol (NHP) was issuing approximately 97 citations per month. The DMV indicates the number of NHP citations has now fallen to approximately 25 citations per month, and there is currently no backlog of citation audits.

Do the Subcommittees wish to approve the elimination of a vacant auditor position?

ASSEMBLYWOMAN TITUS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE THE VACANT AUDITOR POSITION IN B/A 201-4717, DECISION UNIT E-226.

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SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR FORD WAS EXCUSED.)

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MR. DROST:

Other closing items in B/A 201-4717 beginning on page 5 of [Exhibit C](#) include technical adjustments in the base budget. Decision units E-710 and E-715, as recommended by the Governor, appear reasonable. Fiscal staff requests authority to make additional technical adjustments based on the Subcommittees' decision regarding American Association of Motor Vehicle Administrators (AAMVA) travel in the DMV Director's Office budget closing.

E-710 Equipment Replacement — Page DMV-83

E-715 Equipment Replacement — Page DMV-83

ASSEMBLYMAN FRIERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS 2 AND 3, DECISION UNITS E-710 AND E-715, IN B/A 201-4717 AS RECOMMENDED BY THE GOVERNOR, APPROVE OTHER CLOSING ITEM 1 WITH THE NOTED TECHNICAL ADJUSTMENT, WITH AUTHORITY FOR FISCAL STAFF TO MAKE ADDITIONAL TECHNICAL ADJUSTMENTS BASED ON THE SUBCOMMITTEES' DECISION REGARDING DMV AAMVA TRAVEL IN THE DIRECTOR'S OFFICE BUDGET CLOSING AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS FOR UPDATED REVENUE PROJECTIONS, DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

The next B/A 201-4715 is the DMV Automation budget, which begins on page 7 of [Exhibit C](#). There are no major closing issues in this budget. The other closing items include base budget technical adjustments as well as various enhancement decision units, along with a technical adjustment for replacement servers in decision unit E-715 that were inadvertently excluded from the *Executive Budget*. Decision unit E-671 will be considered by the money committees when all other Statewide decision units are discussed.

E-671 Salary Adjustment For 2017-2019 Biennium — Page DMV-31

E-710 Equipment Replacement — Page DMV-32

E-711 Equipment Replacement — Page DMV-32

E-715 Equipment Replacement — Page DMV-33

E-800 Cost Allocation — Page DMV-33

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS 3, 4 AND 6, DECISION UNITS E-710, E-711 AND E-800, IN B/A 201-4715 AS RECOMMENDED BY THE GOVERNOR, OTHER CLOSING ITEM 1 AND OTHER CLOSING ITEM 5, DECISION UNIT E-715 AND BASE BUDGET, TECHNICAL ADJUSTMENTS, PROVIDE AUTHORITY FOR FISCAL STAFF TO MAKE ADDITIONAL TECHNICAL ADJUSTMENTS BASED ON THE SUBCOMMITTEES' DECISION REGARDING DMV AAMVA TRAVEL IN THE DIRECTOR'S OFFICE BUDGET CLOSING AND THE COST ALLOCATION IN THE MOTOR CARRIER BUDGET CLOSING, AND PROVIDE AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS FOR UPDATED REVENUE PROJECTIONS, DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

The next B/A 201-4735 is the DMV Field Services budget beginning on page 11 of [Exhibit C](#).

DMV - Field Services — Budget Page DMV-74 (Volume III)
Budget Account 201-4735

The first major closing issue, beginning on page 12, is the new field office for south Reno. The Governor's recommended Capital Improvement Program (CIP) includes \$42 million in funding for the replacement of the DMV office on Galletti Way in Reno with a new building in south Reno. The new building would also house the commercial driver license (CDL)/motor carrier office for the Reno-Sparks area, which currently operates in a leased facility in Sparks. The DMV indicates that once the new office is completed—estimated to be June 2020—the Galletti Way office and the Sparks CDL office would close. The DMV would then turn the Galletti Way property over to the Nevada Department of Transportation (NDOT).

Fiscal staff would note the 2011 Legislature approved an advance planning project for the new field office in south Reno. That project reflected a second full-size office in Reno. In August 2012, the State Public Works Division submitted a request to the Interim Finance Committee (IFC) to modify the scope of the advance planning project to operate a single field office in the Reno area. At that time, the IFC did not take action on the request, expressing concern with the operation of only one field office in south Reno.

The new Reno field office would consist of three buildings: the main field office, a CDL office and an emissions office. The Governor's Finance Office, in consultation with the Office of the State Treasurer, recommends the proposed new Reno DMV field office be funded with 20-year general obligation bonds with debt service payments utilizing the Highway Fund for 88 percent and the Motor Vehicle Pollution Control budget for 12 percent. This distribution reflects

the approximate square footage that is projected to be assigned to each program area.

Since the Galletti Way field office opened in 1979, the population of Washoe County has more than doubled. In addition, the DMV indicates there are parking issues at the current location, which has 152 parking spots. The new location would have 450 parking spaces. The DMV also currently provides free Wi-Fi to its customers at its metropolitan field offices in southern Nevada but is unable to do so at the Galletti Way office, due to the strained infrastructure of the building.

The DMV further indicates the new field office in south Reno would have 52 total customer service windows, while the Galletti Way location has 39. The DMV indicates that it plans to operate the new south Reno field office utilizing its existing staff from the Galletti Way field office, with some staff members being reassigned from back office functions to staff customer service windows.

The DMV indicates it anticipates better customer flow at the new field office in south Reno which may affect customer wait times. The lobby area is much larger and would accommodate approximately 432 seats as opposed to the 280 seats currently available at the Galletti Way location.

When asked by Fiscal staff about the location of the new field office in south Reno compared to the more centrally located Galletti Way field office, the Department indicated this location is appropriate since approximately 67 percent of Washoe County's population resides south of Interstate 80. In addition, the new office would be near Interstate 580 and the new Veterans Parkway extension, providing an additional connection between South Reno and East Sparks.

In addition, the State Public Works Division indicates there are deferred maintenance needs at the Galletti Way office that total \$9.3 million, with no funding included in the *Executive Budget* or in the Governor recommended 2017 CIP to address those needs. The NDOT would assume responsibility for those deferred maintenance needs. However, the State Public Works Division indicates that may be less than estimated because NDOT's use of the building would not generate the same level of traffic and customers.

Fiscal staff would note the DMV is currently planning a six-month pilot partnership project with the American Automobile Association (AAA) at the organization's Carson City location, similar to the DMV services offered by AAA in California. This partnership would allow various DMV functions to be performed at that location, including registrations, license plate issuances, disabled placard and plate issuances, insurance reinstatements, and title transactions. The DMV indicates customers would not be required to be AAA members to conduct business at these offices, and AAA has proposed that no fees would be required to perform DMV transactions. In addition, the AAA office will accept cash payments for performing DMV transactions. The DMV is in final negotiations with AAA, and the associated contract is under legal review. If the pilot program is successful, the DMV would expand this program to other AAA offices in the State. Fiscal staff would note there are three AAA offices in the Reno/Sparks area. In addition to the pilot project with AAA, the DMV currently operates kiosks at seven locations in the Reno/Sparks area as identified on page 14 of [Exhibit C](#).

Fiscal staff would note the 2015 Legislature approved a replacement building for the Sahara field office in Las Vegas. When that building was completed, the DMV suspended all services at that location for a two-week period as it moved from the old building into the new building. The DMV indicates that if the Governor's recommendation for a new Reno field office is approved, it is aware that it would not be able to close the only Reno field office as it transitions to another location.

If the Subcommittees wish to approve the Governor's recommendation to operate a single DMV field office in the Reno area, no action would be required. However, if the Subcommittees would like to consider options for the operation of other facilities in the Reno/Sparks area, Fiscal staff has compiled the following information:

- 1) Two large field offices: As previously indicated, the DMV indicates it would be difficult to remain within its administrative cap while operating multiple locations in the Reno area. As discussed in the DMV Director's Office B/A 201-4744, the Governor's recommended budget for the DMV is under the historic 22 percent cap. Fiscal staff estimates that, if the technical adjustment previously discussed in the Motor Carrier budget was included and the System

Modernization budget was excluded from this calculation, the DMV would be below its historic 22 percent cap by \$27.5 million in fiscal year (FY) 2017-2018 and \$25.6 million in FY 2018-2019 and could possibly operate both offices.

DMV - Director's Office — Budget Page DMV-19 (Volume III)
Budget Account 201-4744

However, this assumes all expenditures associated with the system modernization project are eliminated once the new system is in place, although the future costs for the system are unknown. In addition, it is unclear whether two large field offices, approximately ten minutes apart by car, are justifiable for the Reno/Sparks area. The deferred maintenance and limitations related to the continued operation of the Galletti Way facility would also need to be addressed if this facility were utilized in future biennia. It is also worth noting the DMV indicates it would be easier to track its customer volume and provide the appropriate staffing levels if customers were served from a single field office.

2) Express office(s): In the past, two express field offices operated in the Reno/Sparks area, but these offices were eliminated in 2009 during the recession. The DMV indicates a leased express office, staffed by six positions, could operate Monday through Friday from 8:00 a.m. through 5:00 p.m. The express office would provide registration and titling services only, and would accept cash, similar to the pilot project with AAA.

3) Medium-sized field office: The DMV indicates a medium-sized field office, similar to one in Elko, could operate with 16 positions Monday through Friday from 8:00 am through 5:00 pm. A leased medium-sized field office would provide driver's license, identification card, driver authorization card, registration, and titling services. The DMV indicates it has not operated a medium-sized field office in a larger metropolitan area. Accordingly, it would review and possibly eliminate services that would be offered once the office was operational to measure demand and accommodate as many customers as possible.

The options for consideration by the Subcommittees include:

A) Do not take any action in concurrence with the Governor's recommendation to operate a single DMV office in the Reno area.

B) Approve a new express field office for the Reno/Sparks area, which would operate in addition to the Governor's recommendation for a new DMV field office in south Reno, which would require additional Highway Fund appropriations of \$560,911 in FY 2017-2018 and \$457,313 in FY 2018-2019, assuming the office were to open in early FY 2017-2018.

C) Approve a new medium-sized field office for the north Reno/Sparks area, which would operate in addition to the Governor's recommendation for a new DMV field office in south Reno. This option would require additional Highway Fund appropriations of \$1.6 million in FY 2017-2018 and \$1.4 million in FY 2018-2019, assuming the office were to open in early FY 2017-2018.

D) Place funding equal to the cost to operate an additional office in this budget's reserve category in FY 2018-2019, and direct the DMV to approach the IFC to possibly utilize these funds once it had developed a plan for an additional office that would operate in addition to the Governor's recommendation for a new DMV field office in south Reno. This option would allow the Department to complete its pilot project with AAA and allow the findings from that project to be considered before establishing additional offices.

Fiscal staff requests authority to enter technical adjustments based upon the decision of the Subcommittees, including working with the DMV to finalize a timeline for the implementation of any new locations recommended by the Subcommittees.

ASSEMBLYMAN SPRINKLE:

I have heard concern about the potential lack of services in the north Reno/Sparks area. I am intrigued by the pilot program with AAA. I remember the express offices that were open before the recession, and they were used a lot.

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My suggestion is to look at Option D. That would allow us to evaluate the AAA pilot program before taking further action. Either way, I would like funds set aside to potentially open an express office in the north Reno-Sparks area.

SENATOR GOICOECHEA:

I would agree with Assemblyman Sprinkle. If the south Reno office is the only one open, that leaves many people in north Reno and Spanish Springs with a long drive to access DMV services. I understand Assemblyman Sprinkle's suggestion to be opening an express office in north Reno-Sparks?

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

What is the cost of an express office?

MR. DROST:

The DMV estimates the first years cost would be \$560,911 in FY 2017-2018, which includes various start-up costs. If the Subcommittee wishes to place funding in reserves in FY 2018-2019, \$457,313 would be the requested amount.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

What is the benefit to AAA of the pilot program besides increased traffic?

MR. DROST:

The DMV indicated that AAA is a nonprofit that offers similar services in California.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Would AAA retain any personal information about Nevadans?

MR. DROST:

No.

CHAIR PARKS:

Are we entertaining the idea of establishing an express office or a medium-sized office?

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SENATOR GOICOECHEA:

I thought we were discussing only an express office. I feel a medium-size office is more of an investment than we want to make.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OPTION D FOR B/A 201-4735 ON PAGE 16 OF [EXHIBIT C](#), PLACING \$560,911 IN FY 2018-2019 IN THE BUDGET'S RESERVE, WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

The second major closing issue in B/A 201-4735 is described on pages 16 and 17 of [Exhibit C](#), and includes technical adjustments submitted by DMV for consideration by the Subcommittees. These were not included in the *Executive Budget*.

The first is new mobile identification card units. The DMV requests a technical adjustment to purchase two mobile identification card units with a Highway Fund appropriation of \$54,000 in FY 2017-2018. The DMV recently received an Americans with Disabilities Act (ADA) complaint from an individual who requires an identification card, but is unable to travel to a DMV field office. This purchase would enable the Department to address the immediate ADA complaint as well as future requests from other disabled individuals who are unable to travel to a DMV field office. *Nevada Revised Statute* 483.820 entitles individuals who are older than ten years of age and a resident of the State to an identification card. The DMV maintains these machines would be a reasonable accommodation for disabled individuals. If this request is approved, the DMV indicates its current card production vendor would provide these units, and the

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cost includes the necessary equipment to support the facial recognition software that is utilized for DMV driver's licenses and identification cards.

Do the Subcommittees wish to approve this technical adjustment for the purchase of two mobile identification card units?

ASSEMBLYWOMAN TITUS:

Will the units be taken to individual's homes for the purpose of taking their pictures for identification cards?

MR. DROST:

The DMV indicates that is the case.

ASSEMBLYWOMAN TITUS:

I would be supportive of this. I recently had a situation where this would have been an excellent solution.

ASSEMBLYWOMAN TITUS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE AN ADDITIONAL HIGHWAY FUND APPROPRIATION OF \$54,000 IN FY 2017-2018 FOR THE PURCHASE OF TWO MOBILE IDENTIFICATION CARD UNITS IN B/A 201-4735.

SENATOR GOICOECHEA SECONDED THE MOTION.

SENATOR GOICOECHEA:

Would DMV personnel drive this unit around on an on-call basis? How would we establish that they were, in fact, disabled?

MR. DROST:

The DMV would drive the units to an individual's home. There would be one unit in the north and one in the south. It is important to note that it would only be for identification cards. Driver license and driver authorization card applicants would have to appear at a DMV office.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

The other technical adjustment for consideration by the Subcommittees are Qmatic maintenance agreements for three additional machines.

In FY 2017, the IFC approved a DMV work program requesting new Qmatic queuing systems for three rural field offices in Ely, Mesquite, and Yerington. The DMV indicated that the Laughlin, Hawthorne, and Tonopah field offices would be the final locations without a queuing system. Qmatic queuing systems for the three remaining locations were not included in the *Executive Budget*; however, the DMV indicated during its budget hearing on February 14 that purchasing these remaining machines was high on its priority list, and it would continue to monitor its budget to determine if resources were available for this purchase. The DMV subsequently identified savings in the Field Services budget that would allow for the purchase of Qmatic machines for the three remaining field offices, and the Department has begun the procurement process for those machines. However, the DMV requests Highway Fund appropriations of \$4,474 in each year of the 2017-2019 biennium for the maintenance costs associated with these three additional machines.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ADDITIONAL HIGHWAY FUND APPROPRIATIONS OF \$4,474 IN EACH YEAR OF THE 2017-2019 BIENNIUM IN B/A 201-4735 FOR THE MAINTENANCE COSTS ASSOCIATED WITH THREE QMATIC QUEUING SYSTEMS FOR THE LAUGHLIN, HAWTHORNE AND TONOPAH FIELD OFFICES.

ASSEMBLYWOMAN TITUS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

Other closing items are described on pages 17 and 18 of [Exhibit C](#) and include position changes in the base budget, technical adjustments related to updated revenue projections, changes in forecasted security guard expenditures, replacement equipment including technical adjustments and the transfer of training positions including technical adjustments requested by Fiscal staff.

ASSEMBLYMAN FRIERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS 1 THROUGH 4 IN B/A 201-4735 WITH NOTED TECHNICAL ADJUSTMENTS, WITH AUTHORITY FOR FISCAL STAFF TO MAKE ADDITIONAL TECHNICAL ADJUSTMENTS BASED ON THE SUBCOMMITTEES' DECISION REGARDING AAMVA TRAVEL IN THE DIRECTOR'S OFFICE BUDGET CLOSING AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS FOR UPDATED REVENUE PROJECTIONS, DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. DROST:

The next B/A 201-4716 is the DMV System Modernization budget, which begins on page 21 of [Exhibit C](#).

DMV - System Modernization — Budget Page DMV-14 (Volume III)
Budget Account 201-4716

The Governor recommends the continued implementation of the system modernization project, funded with total Highway Fund appropriations of \$19.1 million in FY 2017-2018 and \$17 million in FY 2018-2019, as well as Technology Fee revenue of \$6.7 million in each year of the 2017-2019 biennium.

As background, the 2015 Legislature approved the Governor's recommendation to begin the replacement of the DMV's current computer system, which was implemented in 1999 and operates on the Division of Enterprise Information Technology Services mainframe. To justify the new system, the DMV prepared a technology investment request (TIR) for the 2015 Legislature. At that time, the DMV projected the system would require five years to implement for a total cost of \$109.4 million. This projection was not based upon requests for information or requests for proposals (RFP), but rather was based on a survey of other states, conversations with vendors, and projected staffing needs. During the 2015 Legislative Session, the DMV indicated it would apply the lessons learned from its 1999 implementation to the system modernization project implementation. These measures would include withholding final vendor payments until agreed-upon system standards are met, developing a service level agreement with the vendor, implementing the system modernization project utilizing a phased approach, requiring the vendor to include software development tools that would enable issues to be addressed prior to deployment, and including subject matter experts in the development of the new system.

After the 2015 Legislature approved the start of the system modernization project, the DMV issued an RFP and selected Tech Mahindra as the implementation vendor in April 2016. As a result of negotiations with Tech Mahindra, the DMV extended the final system implementation by an additional six months, to December 2020, in order to accommodate the vendor's request to implement driver's license and vehicle system changes utilizing two separate phases.

The contract with Tech Mahindra is a fixed-cost, deliverable-based contract, with all initial implementation dates negotiated by the Department and the vendor. The negotiated contract includes service level agreements with the

vendor that require a performance fee to be paid to the DMV for delays beyond the negotiated implementation dates.

After selecting the software implementation vendor, designing the system network, and developing the system security design, the DMV amended its contract with Tech Mahindra in February 2017 and updated its expenditure projections to reflect a total cost of \$115.1 million for the project. In recognition of these updated projections, the Governor's Finance Office also submitted Budget Amendment A171534716, which recommends additional Highway Fund appropriations to fund the contractual expenditures for Tech Mahindra and maintenance expenditures associated with additional hardware/software that will be needed for the project. The recommended expenditures in the Budget Amendment align with the amended contract with Tech Mahindra. A comparison of the DMV's expenditure projections during the 2015 Legislative Session and the March 2017 expenditure projections are provided in a chart on page 23 of [Exhibit C](#).

The final implementation is slated to be completed in December 2020; however, the projections do not reflect DMV staff expenditures in FY 2020-2021. The DMV intends to request these positions be retained and transferred to other DMV budgets in FY 2020-2021. The decision to retain these positions once the project is complete will be made by a future Legislature; however, if the annual FY 2020-2021 staff expenditures were included, the total expenditures for the project would be approximately \$117.2 million.

The increased cost for the project is largely attributed to additional system hardware/software requirements and expanded use of master service agreement (MSA) contractors. At the DMV budget hearing on February 14, the Department indicated the additional system hardware/software requirements were determined to be needed to properly protect and secure DMV data.

The DMV submitted an IFC work program in August 2016 to utilize 57 MSA contractors for the project in FY 2016-2017, and the DMV indicates it would continue to utilize a total of 57 MSA contractor positions for the project over the 2017-2019 biennium. This compares to the Department's 2015 TIR, which projected only 35 MSA positions would be needed. In response to Fiscal staff's questions, the DMV indicates the initial projection was created prior to selecting

the vendor, establishing the three phases of the project, and identifying the functions that would be included in each phase. The DMV further indicates a lesson learned from earlier system implementations was the need to involve end-users in system development, which is addressed by involving numerous subject matter experts in the project. The three phases of the system modernization and associated timelines are on page 24 of [Exhibit C](#), and the DMV indicates each phase will affect a growing number of customers.

The Governor's recommended expenditures in the 2017-2019 biennium associated with the system modernization project are found in the table on page 25 of [Exhibit C](#). Inclusive of Budget Amendment A171534716, the Governor recommends total funding of \$27.2 million in the 2017-2019 biennium for software implementation costs. This funding level is based on the DMV's projections regarding the project deliverables that would be completed by Tech Mahindra in the biennium. The Governor also recommends funding of \$3 million in the biennium for 10 percent holdback payments that may or may not be issued to the vendor in the biennium. These holdback payments may be delayed until it is determined that agreed upon system standards have been met by the vendor and have been budgeted based upon 10 percent of the vendor costs that are not subject to the holdback provision.

Assembly Bill (A.B.) 488 would enable unspent authority in the 10 percent holdback expenditure category to balance forward from FY 2016-2017 into the 2017-2019 biennium. The DMV estimates holdback payments to Tech Mahindra would total \$159,118 in FY 2017-2018 and \$1.7 million in FY 2018-2019. These updated projections are based upon the DMV's calculation of the vendor deliverables that would be completed and available for final review and approval by the Department in the 2017-2019 biennium. Accordingly, the Subcommittees may wish to consider allowing the FY 2016-2017 expenditure authority of \$811,183 to revert to the Highway Fund at the end of FY 2016-2017 and revise the holdback expenditures to reflect \$159,118 in FY 2017-2018 and \$1.7 million in FY 2018-2019, based on the DMV estimates. If the Subcommittees choose this option, the Legislature would not need to pass A.B. 488. It should be noted this would not reduce the cost of the project, but rather more accurately reflect the holdback expenditures in the upcoming biennium.

ASSEMBLY BILL 488: Revises provisions relating to the system modernization project of the Department of Motor Vehicles. (BDR S-910)

Fiscal staff would also note that the 2015 Legislature authorized this budget to utilize Highway Fund appropriations in both years of the 2015-2017 biennium and the DMV requests similar authority in the 2017-2019 biennium. If such authority were granted, the DMV would have the necessary funding flexibility if these holdback expenditures are greater than projected in the fiscal years of the upcoming biennium. The updated expenditure projections for the software implementation vendor include \$1.4 million in the 2017-2019 biennium for a change order contingency. This change order contingency is intended to cover the cost of change orders as well as the cost to implement legislation approved by the 2017 Legislature. Since legislation that may be passed and approved from the 2017 Legislative Session is unknown at this time, the Subcommittees may wish to place all change order contingency funding in reserve, which would require IFC approval before being utilized. This would provide the IFC with the opportunity to review and approve the planned expenditures associated with this contingency amount.

As previously indicated, the DMV plans to continue use of 57 MSA contractors in the upcoming biennium. The system modernization project is led by the MSA program manager and the project utilizes six teams, with each team responsible for an assigned functional area. Each of the six teams is led by an MSA project manager position, and five of the six teams are also assigned an MSA project coordinator position that manages the concurrent projects assigned to the team. Each team is assigned a State business process analyst position that assists in project implementation and provides business process and professional guidance to project team members. Fiscal staff would note that five of these business process analyst positions are State positions funded in the System Modernization budget, while one of these positions is funded in the Management Services, B/A 201-4742. The DMV indicates this position's regular workload is being absorbed by the other positions in the Management Services Division. Each of the six teams also utilize the services of the State positions that are reflected in the System Modernization budget. In addition, each team utilizes the services and knowledge of subject matter experts, which are DMV employees who have experience and knowledge in the team's functional area.

DMV - Management Services — Budget Page DMV-86 (Volume III)
Budget Account 201-4742

The MSA positions would manage various portions of the system modernization project, serve as subject matter experts for the project and backfill existing Department positions while those positions worked on the project. When a Department position is backfilled, the State position continues to have its personnel expenditures reflected in the DMV budget, while the backfill MSA position expenditures are reflected in the System Modernization budget. A majority of the MSA positions are backfill positions for Department staff. The DMV provided a table, seen on page 27 of [Exhibit C](#), which provides the positions and expertise of those MSA contractor positions.

The DMV indicates that all subject matter experts participating in the project are monitored on a daily basis and are assigned deliverables and corresponding due dates. As previously mentioned, a lesson learned from the DMV's last information technology (IT) deployment was the necessary involvement of Department staff in the development, testing, and deployment of the system. The recommended number of subject matter experts allows concurrent planning and development to occur. The DMV further estimates that the number of MSA contractor positions will decrease to 44 positions in FY 2019-2020 and 20 positions in FY 2020-2021 as the various phases of the project are implemented.

The two independent verification and validation (IVV) MSA positions are only recommended in FY 2017-2018 and would provide an independent review of Phase I of the project.

Fiscal staff would note that the MSA program manager, project manager, and project coordinator positions are budgeted to work 2,400 hours and the MSA IVV positions are budgeted to work 2,300 hours in each year of the upcoming biennium. The DMV indicates these hours are necessary, as these positions would be involved in 11 weekend dress rehearsals for the project. Dress rehearsals involve project staff simulating the activities, processes, and system functions that would be required during the implementation.

The Governor recommends total funding of \$3.6 million in the 2017-2019 biennium for DMV staff who would work on the System Modernization project. This includes 16 positions approved by the 2015 Legislature, as well as 6 new positions. The new positions include four IT technician positions and two IT professional positions. The number of DMV positions recommended in the 2017-2019 biennium aligns with the positions in the DMV's 2015 TIR.

The DMV indicates the four new IT Technician positions would install, manage, and maintain computers; troubleshoot and resolve computer problems; monitor and maintain network connectivity; work with vendors to resolve system problems; perform service call activities; test devices operating on the new system; and provide training to users and help desk staff on the use of software and hardware. The DMV indicates that these additional positions would allow its existing IT staff to learn and train in the new Oracle technology as the Department transitions to the new system. The two new IT professional positions would assist with installing, managing, and monitoring the new Oracle technology that is being deployed.

The Governor recommends total funding of \$3.5 million in the 2017-2019 biennium to maintain the Oracle software, hardware, and cloud subscriptions that are required for the new system. The Governor recommends total funding of \$594,640 in the biennium for material, equipment, rent and assessments associated with the project. Fiscal staff would note that included in this are expenditures associated with online training courses totaling \$23,848 in each year of the biennium. Although these expenditures appear reasonable, these expenditures are reflected in the operating expenditure category instead of a separate training expenditure category, which is generally utilized in other DMV budgets. Accordingly, the Subcommittees may wish to provide Fiscal staff with authority to enter a technical adjustment to reflect these expenditures in a separate training expenditure category.

The Governor recommends total funding of \$33,844 in the 2017-2019 biennium for out-of-State travel for two business process analyst positions to attend the AAMVA Region IV Conference and the AAMVA International Conference in each year of the biennium, as well as \$10,760 over

the biennium for visits to other jurisdictions that have implemented similar system modernization projects.

As discussed earlier, the 2015 Legislature provided the System Modernization budget with the ability to utilize Highway Fund appropriations between fiscal years within the current biennium with IFC approval, and the DMV indicates it will request similar authority in the 2017-2019 biennium. If the Subcommittees approves this request, Fiscal staff would incorporate enabling language in the 2017 Appropriations Act.

The Subcommittees may also wish to consider issuing a letter of intent (LOI) to the DMV in order to receive an update on the System Modernization project throughout the 2017-2019 biennium. This LOI could require semiannual reports to the IFC with the first report due no later than December 31, 2017, and could include the items listed on page 29 of [Exhibit C](#).

Do the Subcommittees wish to approve decision unit E-550, as amended by Budget Amendment A171534716, which recommends Highway Fund appropriations of \$913,662 in FY 2017-2018 and \$2.4 million in FY 2018-2019 to continue funding the replacement of the DMV's computer system?

E-550 Technology Investment Request — Page DMV-16

If the Subcommittees approves decision unit E-550, as amended, it may also wish to consider including one or more of the following provisions for this budget:

1. Include enabling language in the 2017 Appropriations Act to authorize the DMV to utilize the Highway Fund appropriations in this budget in either year of the 2017-19 biennium with IFC approval.
2. Revise the budgeted amounts for holdback payments of \$1.5 million in each year of the 2017-2019 biennium to \$159,118 in FY 2017-2018 and \$1.7 million in FY 2018-2019 based upon the updated projections provided by the DMV. If the Subcommittees choose to utilize the Department's projections, the \$811,183 that was authorized in the 10 Percent Holdback expenditure

category in FY 2016-2017 would not be required in the 2017-2019 biennium and could revert to the Highway Fund, which would eliminate the need for the Legislature to pass A.B. 488.

3. Place the budgeted vendor change order contingency funding of \$1.4 million over the upcoming biennium in reserve, which would require IFC approval before it could be utilized.

4. Place half of the FY 2017-2018 expenditures and all of the FY 2018-2019 expenditures associated with the Tech Mahindra contract and all of the FY 2018-2019 holdback payments in reserve. This would provide the DMV with initial FY 2017-2018 funding; however, it would require the Department to request IFC approval for additional funding thereby allowing the IFC to receive updates on the status of the project.

5. Place the online training expenditures of \$23,848 in each year of the 2017-2019 biennium in a separate training expenditure category.

6. Transfer the business process analyst position that is funded in the Management Services budget and working on the System Modernization project full-time into this budget.

Fiscal staff requests authority to make any necessary technical adjustments based on the action of the Subcommittees.

SENATOR GOICOECHEA:

If we go with option 1 and eliminate the need to pass A.B. 488, would the DMV still have to come before IFC for approval of changes in the expenditures?

MR. DROST:

That is correct. Option1 would require IFC approval.

SENATOR GOICOECHEA:

It seems that would give the DMV some flexibility but still allow us to keep track of where the Department is headed.

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CHAIR PARKS:

As I read it, we need to approve all six of these options to take comprehensive action on the system modernization.

SENATOR GOICOECHEA:

Does that create a conflict between options?

MR. DROST:

The Subcommittees could approve all six of these items for inclusion in the closing. Item 1 allows the DMV to use Highway Fund appropriations between fiscal years with IFC approval. Item 2 would revise the holdback payments based on the DMV's updated projections, which would eliminate the need to pass A.B. 488. Item 3 places the vendor change order contingency funding in reserve, which would require the DMV to receive IFC approval to use. Item 4 gives the DMV the initial funding for six months of the Tech Mahindra contract, with the balance in reserve. That would require the DMV to come to IFC with an update to access the remaining funding. Item 5 places the online training expenditures, which are currently in the operating category, in a separate category. Item 6 would transfer a business process analyst position to this budget from the Management Services budget.

SENATOR GOICOECHEA:

Would the online training expenditures require the DMV to come to IFC for access?

MR. DROST:

No. The purpose of that change would be consistent with other DMV budgets that contain a separate training expenditure category.

ASSEMBLYMAN SPRINKLE:

I agree with this decision unit and support moving forward with these options. I also think the proposed LOI is a good idea for such a large project.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE SIX PROVISIONS ON PAGE 30 OF EXHIBIT C, ISSUE AN LOI TO THE DMV TO PROVIDE THE INFORMATION DETAILED ON PAGE 30 OF EXHIBIT C AND GRANT

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AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL
ADJUSTMENTS AS NECESSARY BASED ON THE ACTIONS OF THE
SUBCOMMITTEES.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Chair Parks:

Fiscal staff is indicating we need to be specific on the funding motion covering
the decision unit.

SENATOR FORD MOVED TO RECOMMEND TO THE FULL COMMITTEES
TO APPROVE FUNDING DECISION UNIT E-550 IN B/A 201-4716, AS
AMENDED BY BUDGET AMENDMENT A171534716, WITH HIGHWAY
FUND APPROPRIATIONS OF \$913,662 IN FY 2017-2018 AND
\$2.4 MILLION IN FY 2018-2019 TO CONTINUE FUNDING THE
REPLACEMENT OF THE DMV'S COMPUTER SYSTEM.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

Other closing items in B/A 201-4716, described on page 31 of [Exhibit C](#),
include (1) base budget technical adjustments and travel enhancements, (2) the
backfill contractor position for the Pollution Control Program's Vehicle
Information Database and (3) decision unit E-671, salary adjustment for IT

positions, which will be considered by the money committees when all other Statewide decision units are discussed.

E-671 Salary Adjustment For 2017-2019 Biennium — Page DMV-17

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE B/A 201-4716 OTHER CLOSING ITEMS 1 AND 2 WITH THE NOTED TECHNICAL ADJUSTMENT, WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS BASED ON THE SUBCOMMITTEES' DECISION REGARDING DMV AAMVA TRAVEL IN THE DIRECTORS OFFICE BUDGET CLOSING AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS FOR UPDATED REVENUE PROJECTIONS, DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS AS NECESSARY.

SENATOR FORD SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

The next B/A 201-4744 is the DMV Director's Office budget, which begins on page 33 of [Exhibit C](#).

The only major closing issue is the AAMVA conference travel. The Governor recommends that 13 DMV positions attend the regional AAMVA conference and 8 DMV positions attend the international AAMVA conference in each year of the 2017-2019 biennium, as illustrated in the table on page 34.

The 2015 Legislature only approved expenditures equivalent to 8 DMV staff members attending the regional AAMVA conference and 3 DMV staff members to attend the international AAMVA conference in the 2015-2017 biennium.

Fiscal staff would note the DMV provided slightly revised expenditure projections, which are found in the chart at the top of page 35.

The DMV indicates the AAMVA conferences provide Department staff with a platform for exchanging ideas and information between jurisdictions across the United States and Canada. This includes comparing best practices already adopted by other jurisdictions, addressing federal regulatory changes, discussing new and emerging trends and staying abreast of changes in the motor vehicle field.

The DMV indicates the AAMVA conferences include breakout training sessions and several topics are covered simultaneously in different locations within the convention meeting area, with DMV staff able to attend sessions that directly apply to their assigned area.

The DMV indicates the international AAMVA conferences are generally intended for upper management, such as administrators, directors, and deputy directors. The international AAMVA conferences include many of the aforementioned activities and also delve into more high-level administration issues and challenges.

The Department indicates the Nevada DMV is a leader within the AAMVA organization, as the DMV director serves on the AAMVA Region IV Board, which covers the western United States and western Canada. The DMV anticipates the regional AAMVA conference may be hosted in Nevada around 2020.

The DMV indicates three other staff members serve on various AAMVA committees. Accordingly, some of the travel expenditures for these positions may be funded by AAMVA; however, the DMV has no guarantee that AAMVA will have funding available to cover these costs. In addition, if AAMVA does provide funding for travel, it would do so on a reimbursement basis. Accordingly, the DMV requests to budget for the AAMVA conferences as recommended by the Governor, with possible AAMVA reimbursement for up to four staff members.

The Subcommittees may wish to consider the following options:

A. Approve the Governor's recommendation for 13 DMV positions to attend the regional AAMVA conference and 8 DMV positions to attend the international AAMVA conference in each year of the 2017-2019 biennium.

B. Approve travel expenditures for 8 DMV staff members to attend the regional AAMVA conference and 3 DMV staff members to attend the international AAMVA conference, similar to the 2015 Legislature, and also approve travel expenditures for 1 staff member in the Central Services budget and 1 staff member in the Administrative Services budget to attend the regional AAMVA conference and 1 staff member in the Central Services budget and 1 staff member in the Management Services budget to attend the International AAMVA conference. This would reduce travel expenditures Department-wide by \$19,620 in FY 2017-2018 and \$19,719 in FY 2018-2019 by eliminating three regional AAMVA conference attendees and three international AAMVA conference attendees that were included in the *Executive Budget*.

C. Approve travel expenditures for 8 DMV staff members to attend the regional AAMVA conference and 3 DMV staff members to attend the international AAMVA conference, similar to the 2015 Legislature. This would reduce travel expenditures Department-wide by \$32,700 in FY 2017-2018 and \$32,865 in FY 2018-2019 by eliminating five regional AAMVA conference attendees and five international AAMVA conference attendees that were included in the *Executive Budget*.

Fiscal staff requests authority to enter technical adjustments for this travel based upon the decision of the Subcommittees.

ASSEMBLYMAN SPRINKLE:

I recognize the importance of DMV staff attending these conferences. I think Option A is overkill, so I would recommend Option B as the middle ground.

ASSEMBLYMAN FRIERSON:

I agree. Collaboration between states is important, but jumping from 11 to 21 staff members attending a conference is too big of a jump. I recognize that we are looking to continue in our leadership position in this organization.

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SENATOR GOICOECHEA:

How many additional positions does Option B provide for?

MR. DROST:

It provides for two additional positions for each of the conferences, a total of four.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE B/A 201-4744 OPTION B FROM PAGE 36 OF [EXHIBIT C](#) REGARDING AAMVA CONFERENCE TRAVEL AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY BASED ON THE DECISION OF THE SUBCOMMITTEES.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

Other closing items in B/A 201-4744 are detailed on pages 36 and 37 of [Exhibit C](#).

E-671 Salary Adjustment For 2017-2019 Biennium — Page DMV-21

E-710 Equipment Replacement — Page DMV-21

E-715 Equipment Replacement — Page DMV-22

E-800 Cost Allocation — Page DMV-22

E-900 Transfers Out Training Positions To 4735 — Page DMV-23

E-901 Transfers Ricoh From 4745 To 4744 LV Personnel — Page DMV-23

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE; THE BASE BUDGET TECHNICAL ADJUSTMENT; DECISION UNITS E-715, E-800 AND E-901 AS RECOMMENDED BY THE GOVERNOR; DECISION UNITS E-710 AND

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E-900 WITH THE NOTED TECHNICAL ADJUSTMENTS; WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS TO DECISION UNIT E-671 BASED ON DECISIONS MADE BY THE MONEY COMMITTEES RELATED TO THE STATEWIDE DECISION UNITS; AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS FOR UPDATED REVENUE PROJECTIONS, DEPARTMENTAL TRANSFERS AND COST ALLOCATIONS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

CHAIR PARKS:
We will move on to some budgets within NDOT.

MR. DROST:
The next B/A 201-4663 is NDOT Bond Construction, which begins on page 41 of [Exhibit C](#).

INFRASTRUCTURE

TRANSPORTATION

NDOT – Bond Construction — Budget Page NDOT-14 (Volume III)
Budget Account 201-4663

The major closing issue in this budget is bond funding for Project NEON construction. The Governor recommends the sale of highway revenue bonds, which are pledged for repayment with gasoline and special fuel tax proceeds, of \$180 million in FY 2017-2018 to complete construction of Project NEON in Las Vegas. According to NDOT, Project NEON would improve traffic flow in the

spaghetti bowl area. This project is estimated to be completed in July 2019, with the various phases illustrated on page 42 of [Exhibit C](#).

The NDOT estimates the total cost for Project NEON construction to be \$636.4 million, and would be financed by the bond sales of \$565 million over the 2015-2017 and 2017-2019 biennia. The remaining costs would be funded by the NDOT Administration B/A 201-4660 and federal funds. The NDOT estimates that 95 percent of the bond principal payments will be reimbursed by federal funds over the term of the bonds.

NDOT - Transportation Administration — Budget Page NDOT-16 (Volume III)
Budget Account 201-4660

The NDOT's bond issuance policy states the Department will not issue bonds unless the pledged motor vehicle taxes are at least three times the combined annual debt service, which equates to approximately \$94.9 million. If the Governor's recommended bond issuance for FY 2017-2018 were approved, NDOT projects the annual bond payments would be approximately \$12.6 million below the limit established by the Department's policy in the 2017-2019 biennium.

If the Governor's recommendation is approved by the Subcommittees, Fiscal staff requests authority to enter a technical adjustment to retitle this expenditure category as "FY 2018 Bond Issue," which is consistent with the titling methodology used to report prior year bond issuances.

ASSEMBLYWOMAN TITUS:

What is the total budget for Project NEON? I do not see the cost of purchasing property and right-of-ways. Is that included in the \$636 million?

MR. DROST:

As I recall, NDOT indicated property purchasing and associated costs were approximately \$188 million. The IFC approved bond issuance of \$100 million in FY 2013-2014 and the remaining amount was funded through the Administration budget.

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ASSEMBLYWOMAN TITUS:

So what is the real total of the project's cost? We are seeing overrides and additional funding. What was the initial projected cost?

MR. DROST:

During the 2015 Legislative Session, NDOT estimated the construction cost for Project NEON would be \$570 million.

ASSEMBLYWOMAN TITUS:

Has the original estimate of \$570 million grown to \$636 million, not including the land purchases?

MR. DROST:

You are correct. That includes the incentives for the contractor, the crew augmentation, the compliance administration and engineering staff. Those were not included in the 2015 amount of \$570 million.

ASSEMBLYWOMAN TITUS:

Why not?

MR. DROST:

I do not know the answer to that.

ASSEMBLYWOMAN TITUS:

Explain the repayment of the bonds from federal funds.

MR. DROST:

Over the life of the bonds, 95 percent of the principal amount of the bonds is anticipated to be federally reimbursed.

ASSEMBLYWOMAN TITUS:

How much of the \$636 million will be reimbursed by the federal government?

RUDY MALFABON, P.E. (Director, Department of Transportation):

The amount of payback is 95 percent federal and 5 percent State match. The change in the bonding program was primarily due to the change from four bond issuances to three bond issuances.

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ASSEMBLYWOMAN TITUS:

Will 95 percent of the \$636 million be reimbursed?

MR. MALFABON:

The construction phase and associated costs like construction management, project oversight and design support will be reimbursed at the 95 percent federal level.

ASSEMBLYWOMAN TITUS:

I understand that on huge projects like this, not all the costs can be anticipated. Is it typical to grow from the \$570 million to \$636 million in just two years?

MR. MALFABON:

The \$570 million projection did not include the construction management and design services. We were focused on the capital costs to build it. The additional costs are reimbursable by the federal government.

ASSEMBLYWOMAN TITUS:

Is the \$20 million incentive for the contractor based on timing?

MR. MALFABON:

The incentive payments are based on user time—in other words, delays drivers may experience as they drive through the construction zone. If the contractor finishes weeks early, we can calculate what that savings is to the public.

ASSEMBLYWOMAN TITUS:

I am sure all the drivers in Las Vegas who use that highway appreciate any advances that can be made on the contract.

CHAIR PARKS:

If I recall, when this project was first envisioned, the expected costs were estimated at nearly \$1 billion dollars. It would appear we are coming in well under that.

MR. MALFABON:

That is correct. There is a final phase, but that is not planned in the near term. The final phase involves braiding the northbound ramps. We are looking at a

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redesign that would minimize the amount of right-of-way needed. We do not expect to need that phase for over ten years. That final phase would be included in the \$1 billion projection.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN B/A 201-4663 FOR THE SALE OF HIGHWAY REVENUE BONDS OF \$180 MILLION IN FY 2017-2018 FOR THE CONTINUED CONSTRUCTION OF PROJECT NEON IN LAS VEGAS AND PROVIDE FISCAL STAFF WITH AUTHORITY TO MAKE A TECHNICAL ADJUSTMENT TO RETITLE THE ASSOCIATED EXPENDITURE CATEGORY.

ASSEMBLYWOMAN TITUS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

The next B/A 201-4660 is NDOT Transportation Administration, which begins on page 45 of [Exhibit C](#).

The first major closing issue is the Highway Fund balance and capital expenditures. Major sources of revenue generated for the State Highway Fund include vehicle registration, driver's license fees, special fuel tax and gasoline taxes. In addition, NRS 482.182 currently requires Governmental Services Tax (GST) revenue to be deposited equally between the General Fund and Highway Fund in FY 2016-2017 and entirely in the Highway Fund in the 2017-2019 biennium. However, the Governor recommends redirecting 25 percent of the GST revenue to the General Fund in each year of the 2017-2019 biennium, and [A.B. 486](#) would implement this recommendation.

[ASSEMBLY BILL 486](#): Revises provisions governing the distribution of the governmental services tax. (BDR 43-978)

The table on the bottom of page 46 of [Exhibit C](#) illustrates the Highway Fund projected revenue including the redirected GST. On page 47, the table illustrates the Highway Fund Appropriations to the various agencies. In addition, one-shot Highway Fund appropriations total \$10 million and Highway Fund appropriations for the Capital Improvement Program total \$4.3 million in the *Executive Budget*. Fiscal staff would also note that the DMV has requested a supplemental Highway Fund appropriation of \$847,022 for a projected shortfall related to credit card fees. The NDOT also indicates it will be submitting a work program to the IFC in June 2017 requesting additional Highway Fund authorizations of \$15.9 million in FY 2016-2017 to fund various expenditures related to the winter storm events.

The NDOT identified a minimum Highway Fund balance based upon the projected cash flow necessary to sustain one month of operating and one and one-half months of capital construction program expenditures. The Department indicates an updated unrestricted minimum balance necessary for cash flow purposes would be approximately \$124.2 million in FY 2017-2018 and \$121.3 million in FY 2018-2019. Based upon the Governor's recommendations and the items previously noted, Fiscal staff projects the remaining unrestricted balance for the Highway Fund would be \$359.4 million at the end of the biennium, which represents a balance that would be \$238.1 million above the calculated minimum amount at the end of the 2017-2019 biennium. Although the Highway Fund balance is projected to be greater than the calculated minimum amount, Fiscal staff would note NDOT has the ability to approach the IFC to increase its Highway Fund authorizations in the upcoming biennium.

The *Executive Budget* recommends funding for highway construction totaling \$431.7 million in FY 2017-2018 and \$428.4 million in FY 2018-2019, and this is funded with a combination of Highway Fund proceeds and federal revenue.

The Governor also recommends the sale of highway revenue bonds as previously discussed for Project NEON in Las Vegas.

On page 48 of [Exhibit C](#) is a list of some of the other major projects NDOT will be working on during the 2017-2019 biennium.

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The DMV estimates the revenue generated from fuel revenue indexing in Clark County for the Highway Fund would total \$1.6 million in FY 2017-2018 and \$3.1 million in FY 2018-2019; however, this revenue is not reflected in the *Executive Budget* because NDOT will budget for this revenue in a non-Executive budget. The NDOT indicates the use of this funding will be prioritized and determined by working with the various government entities in southern Nevada.

SENATOR FORD MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE CAPITAL EXPENDITURES IN B/A 201-4660 FOR EACH YEAR OF THE 2017-2019 BIENNIUM AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN TITUS WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

The second major closing issue is decision unit E-377 beginning on page 49 of [Exhibit C](#), the Nevada Shared Radio System (NSRS) replacement.

E-377 Safe and Livable Communities — Page NDOT-22

The Governor recommends NDOT begin the replacement of the NSRS, funded with Highway Fund authorizations of \$11.7 million in each year of the 2017-2019 biennium. The NSRS is owned by NDOT, NV Energy and Washoe County. The NDOT indicates the primary radio system technology that is currently being utilized was first implemented in the early 1990s and the manufacturer of the radio system will no longer support the system beginning in FY 2017-2018. In addition, NDOT indicates the current system is approaching the maximum number of users and data devices that can be supported. The new radio system will be P25 compliant, which is a suite of standards for digital

radio communications for use by federal, state, and local public safety organizations in North America. These standards enable interoperability communication between agencies.

The NDOT indicates two possible funding mechanisms could be utilized to fund the radio replacement project: system purchase and system lease. The estimated cost to purchase the system would be \$94.5 million over a six-year period and \$118.1 million over a ten-year period to lease the system. The NDOT has not made a final determination regarding which funding mechanism would be utilized and indicates a RFP will be released in the coming weeks and a final vendor selected in the latter part of calendar year 2017. As part of the RFP process, NDOT has requested that vendors research and provide alternative funding and payment methods. Although the funding mechanism has not yet been determined, the Governor's recommendation assumes the higher-cost lease option would be utilized.

Since NDOT has not determined the actual cost for the replacement of the NSRS, the Subcommittees may wish to not approve Highway Fund authorizations for the replacement system and direct the Department to approach the IFC for funding once it has selected a vendor and determined the actual cost to replace the system.

Fiscal staff would note that the radio system is utilized by agencies that are primarily funded by the Highway Fund as well as the General Fund. Although various agencies not supported by the State Highway Fund utilize the radio system, the Governor recommends that all costs associated with the radio replacement be funded with the State Highway Fund.

Fiscal staff would note that Section 5 of Article 9 of the *Constitution of the State of Nevada* provides that the Highway Fund is limited for construction, maintenance and repair of public highways. Accordingly, it appears the Governor's recommendation to fund all costs associated with the replacement of the NSRS with the State Highway Fund would violate the Constitution. The Subcommittees may wish to recommend the issuance of a LOI to NDOT, directing the Department to develop a method for having the other agencies that are not funded by the State Highway Fund also contribute to the cost of the radio replacement project.

ASSEMBLYMAN FRIERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION IN B/A 201-4660 FOR HIGHWAY FUND AUTHORIZATIONS OF \$11.7 MILLION IN EACH YEAR OF THE 2017-2019 BIENNIUM TO BEGIN THE REPLACEMENT OF THE NSRS AND TO RECOMMEND AN LOI BE ISSUED TO NDOT DIRECTING THEM TO DEVELOP A METHOD FOR HAVING THE AGENCIES THAT ARE NOT FUNDED BY THE HIGHWAY FUND CONTRIBUTE TO THE COST OF THE RADIO REPLACEMENT PROJECT.

SENATOR FORD SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

The third major closing issue beginning on page 50 of [Exhibit C](#) is decision units E-230 and E-231, new positions.

E-230 Efficient and Responsive State Government — Page NDOT-19

E-231 Efficient and Responsive State Government — Page NDOT-20

The Governor recommends 18 new positions for NDOT. Ten of these positions would establish two, five-member maintenance crews for southern and northwestern Nevada, and the remaining eight new positions would be assigned to various programs in NDOT. The table on page 51 of [Exhibit C](#) outlines the various recommended positions. These include maintenance crew positions associated with the new Boulder City bypass and the new USA Parkway, three geographic information systems positions, two transportation planner analyst positions to establish an Office of Innovation, one staff associate engineer, one management analyst and one environmental scientist.

Fiscal staff would note that included in these decision units is equipment for the new staff members. The Governor recommends Highway Fund authorizations of

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\$4 million over the 2017-2019 biennium in decision unit E-230 for various equipment that is required for the new maintenance crews to perform their duties.

If the Subcommittees wish to approve these decision units, Fiscal staff requests authority to enter technical adjustments that were identified by NDOT, including the elimination of contract consultant expenditures of \$96,000 in FY 2017-2018 and \$154,679 in FY 2018-2019. These expenditures could be eliminated in the base budget if the environmental scientist and staff associate engineer positions are approved. Fiscal staff also requests authority to move some equipment purchases recommended in FY 2018-2019 to FY 2017-2018, and to move expenditures that are related to these enhancement decision units, but placed in another enhancement decision unit.

Inclusive of these technical adjustments, these decision units would require total Highway Fund authorizations of \$4.5 million in FY 2017-2018 and \$1.4 million in FY 2018-2019.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE IN B/A 201-4660 THE GOVERNOR'S RECOMMENDATION FOR 18 NEW POSITIONS AND ASSOCIATED EQUIPMENT AND MATERIAL FOR DECISION UNITS E-230 AND E-231 AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN FRIERSON SECONDED THE MOTION.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

I am glad to see a new Office of Innovation within NDOT. Our problem has always been identifying ways to transition to alternative fuels and I have high hopes for that Office.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. DROST:

The fourth major closing issue beginning on page 52 of [Exhibit C](#) is decision unit E-232, new pilot position and reclassification of existing pilot positions.

E-232 Efficient and Responsive State Government — Page NDOT-21

The Governor recommends:

- The reclassification of the NDOT's two existing pilot positions, which are one chief pilot and one pilot III position from classified positions to unclassified positions.
- The reclassification of an existing, vacant custodial worker position to an unclassified pilot III position.
- The addition of a new unclassified pilot II position.

The NDOT's Aviation Division is currently staffed by two classified positions and this recommendation would allow the Division to be staffed by four unclassified positions: one chief pilot position, two pilot III positions, and one pilot II position. The Department indicates changing these positions to unclassified positions is appropriate due to the specialized nature of these positions. The NDOT also indicates moving these positions into the unclassified service would allow vacant pilot positions to be filled faster and provide salaries that are more competitive. Those salaries are provided in the table at the bottom of page 52 of [Exhibit C](#).

As background, NDOT owns 2 aircraft, a 9-seat Citation that is 29 years old and a 5-seat Commander that is 35 years old. It currently utilizes the Citation aircraft to provide weekday flights between Carson City and Las Vegas, and the smaller Commander aircraft is utilized for survey missions for NDOT or travel to smaller, rural airports. To supplement its current staffing, NDOT currently utilizes intern co-pilot positions and the services of contract pilot positions to ensure proper staffing of its flight operations. If this decision unit were approved, NDOT would assign the 4 unclassified positions to the 2 aircraft as

indicated in the table on page 53; however, NDOT indicates the chief pilot oversees the flight operations and may serve as captain as needed.

As previously indicated, the smaller, Commander aircraft provides service to rural airports and performs survey missions. Additionally, the Commander serves as back-up aircraft to provide flight service to Las Vegas from Carson City in the event the Citation is grounded for maintenance. If the Governor's recommendation is approved, NDOT indicates the Commander would be utilized on a more consistent basis by providing a second daily flight between Carson City and Las Vegas on an as-needed basis. During the NDOT budget hearing, the NDOT director indicated the Department also plans to utilize the Commander more frequently as staff visit locations in rural Nevada in order to better understand the transportation needs throughout the State and develop the Statewide Transportation Improvement Program.

The NDOT indicates that the use of its aircraft are a more cost-effective method of travel for State staff. The estimated cost for a staff member to fly a commercial airline between northern Nevada and southern Nevada is \$805, including airfare, mileage, parking, and staff time. The NDOT estimates a flight from Carson City to Las Vegas on the Citation is \$616 and on the Commander is \$505, a savings of \$189 and \$300, respectively. These projections do not reflect the additional productive hours that are available for staff at the destination as NDOT estimates total travel time is 6 hours, 40 minutes on a commercial aircraft and 2 hours, 30 minutes on an NDOT aircraft.

The NDOT also indicates that recruiting engineering staff in southern Nevada is problematic as State salaries are less competitive in that area than in northern Nevada. The NDOT indicates that having aircraft operations with a reliable schedule offers an opportunity to supplement its southern Nevada staff by having engineering staff in northern Nevada manage projects in southern Nevada.

The NDOT indicates the Governor's recommendation would provide the following benefits:

- Reduced flight cancellations, with the Department indicating in FY 2015-2016 the Citation flew 171 flight days, but cancelled 32 roundtrip flights due to the unavailability of a pilot.
- Developing a succession plan for the Aviation Division by providing additional pilot positions and classifications.
- Addressing safety concerns by decreasing the use of intern co-pilot positions that currently serve as co-pilots and have limited experience in high-density airspace such as Las Vegas.
- Reduce expenditures associated with the use of intern and contract pilots by having additional Department staff to operate flights.

Fiscal staff would note the base budget includes annual contract pilot expenditures of \$97,021, and NDOT indicates this could be reduced to \$25,000 in the event contract pilot positions are needed due to staff vacancies and leave events.

If the Subcommittees wish to approve this decision unit, Fiscal staff requests authority to enter technical adjustments that were identified by the Department, including the elimination of contract pilot expenditures of \$72,021, as previously discussed, and moving expenditures that are related to this enhancement decision unit but placed in another enhancement decision unit.

Inclusive of these technical adjustments, Fiscal staff estimates this decision unit would require Highway Fund authorizations of \$141,950 in FY 2017-2018 and \$142,019 in FY 2018-2019.

Do the Subcommittees wish to approve the Governor's recommendation for a new pilot position and the reclassification of existing pilot positions to unclassified service? If the unclassified positions are approved by the Subcommittees, the salaries will be reviewed and approved by the money committees for inclusion in the Unclassified Pay Bill.

ASSEMBLYWOMAN TITUS:

I understand that we already own the aircraft and that this decision unit is about increasing the piloting staff. I have concerns about it. As a pilot and the owner of an aircraft, I see planes as a black hole for money.

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I take exception to the comment that NDOT staff needs to fly to rural areas to better understand the highway needs. If you want to understand the highway needs, you need to drive there as opposed to flying over the problems.

CHAIR PARKS:

Having flown a number of times in the Citation, I think Fiscal staff has presented a good summary of the savings in [Exhibit C](#). How often do we use a contract pilot, and is there a specific budget line for that position?

MR. DROST:

In the base year, expenditures for contract pilots were about \$83,000.

SENATOR GOICOECHEA:

Given the age of the planes, how many more years of life do they have? I worry that we will have new pilots with nothing to fly.

MR. DROST:

The NDOT could not provide an accurate useful life estimate on the planes. They did indicate the Citation engines were rebuilt in 2013 and the Commander engines were rebuilt in 2014. The interiors were replaced on both planes in 2014.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Did NDOT provide information on how many additional flights might occur if we allocate the funds for these positions?

MR. DROST:

That information was not provided. For the Citation, it would be a matter of more consistent staffing for the daily flights between Las Vegas and Carson City. The flights of the Commander would vary based on the need for survey missions as well as those as-needed second flights to southern Nevada.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

Does NDOT coordinate the flights for other State agencies?

MR. DROST:

Yes, they do.

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SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE IN B/A 201-4660 THE GOVERNOR'S RECOMMENDATION TO RECLASSIFY ONE EXISTING CHIEF PILOT AND ONE EXISTING PILOT III POSITION FROM CLASSIFIED POSITIONS TO UNCLASSIFIED POSITIONS, THE RECLASSIFICATION OF AN EXISTING, VACANT CUSTODIAL WORKER POSITION TO AN UNCLASSIFIED PILOT III POSITION, THE ADDITION OF A NEW UNCLASSIFIED PILOT II POSITION AND TO PROVIDE FISCAL STAFF WITH AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN TITUS VOTED NO.)

SENATE: THE MOTION CARRIED. (SENATOR FORD WAS EXCUSED.)

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MR. DROST:

The fifth major closing issue beginning on page 54 of [Exhibit C](#) is decision unit E-277, the electronic documentation (EDoc) system enhancement.

E-277 Educated and Healthy Citizenry — Page NDOT-21

The Governor recommends an upgrade for NDOT's EDoc system, funded with Highway Fund authorizations of \$1.3 million in each year of the 2017-2019 biennium. The current Project Field Manager EDoc system, which is used to manage construction contracts, will not be supported by the developer beyond 2019. The NDOT indicates this not a new system, but rather a replacement of the current server-based system with a Web-based system. The upgrade of the EDoc system would not only allow for the continued use of the Construction module that is currently utilized, but would also allow for the implementation of the Materials module that would allow for the tracking and recording of material that is tested by NDOT. The Department indicates the new system would increase efficiencies by allowing staff to access various contract data in the field on iPads.

The NDOT provided updated expenditure projections for this decision unit that would reflect an increase for the license and maintenance fees and a reduction in the projected cost for the iPads and associated wireless service. If the Subcommittees approve this decision unit, Fiscal staff requests authority to enter these revised amounts as a technical adjustment.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE IN B/A 201-4660 THE GOVERNOR'S RECOMMENDATION FOR AN UPGRADE TO NDOT'S EDOC SYSTEM FUNDED WITH HIGHWAY FUND AUTHORIZATIONS OF \$1.3 MILLION IN EACH YEAR OF THE 2017-2019 BIENNIUM AND TO AUTHORIZE FISCAL STAFF TO MAKE THE NOTED TECHNICAL ADJUSTMENTS.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR FORD WAS EXCUSED.)

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MR. DROST:

Other closing items begin on page 55 of [Exhibit C](#) and include:

1. Base budget position changes, an IT system that would be funded with the NDOT base budget and a technical adjustment to correct two positions that are included in the base budget.
2. The continuation of the fueling system upgrade, decision unit E-225.
3. Roadway betterment supplies, decision unit E-226.
4. Transfer to State Parks, decision unit E-354, not included in the *Executive Budget*, which the Subcommittees approved last week.

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5. Salary adjustment for IT positions, decision unit E-671, which will be considered by the money committees when all other Statewide decision units are discussed.

6. Equipment replacement, decision unit E-710.

7. New equipment, decision unit E-720.

8. Maintenance of buildings and grounds, decision unit E-730, which includes technical adjustments requested by NDOT.

E-225 Efficient and Responsive State Government — Page NDOT-19

E-226 Efficient and Responsive State Government — Page NDOT-19

E-671 Salary Adjustment For 2017-2019 Biennium — Page NDOT-22

E-710 Equipment Replacement — Page NDOT-22

E-720 New Equipment — Page NDOT-23

E-730 Maintenance of Buildings and Grounds — Page NDOT-23

SENATOR GOICOECHEA:

On other closing item 3, roadway betterment supplies, I am concerned that this is not going to be enough money. After the winter we had in northern Nevada, our roads are in terrible condition. Will NDOT be able to access more funds if they need to?

MR. DROST:

Yes, the Department can approach IFC and request additional Highway Fund authorizations if needed.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE B/A 201-4660 OTHER CLOSING ITEMS 1, 4 AND 8 WITH THE NOTED TECHNICAL ADJUSTMENTS, OTHER CLOSING ITEMS 2, 3, 6 AND 7 AS RECOMMENDED BY THE GOVERNOR AND TO PROVIDE FISCAL STAFF WITH AUTHORITY TO MAKE COST ALLOCATION ADJUSTMENTS AND OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN FRIERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED.

SENATE: THE MOTION CARRIED. (SENATOR FORD WAS EXCUSED.)

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JENNIFER GAMROTH (Program Analyst):

I will be presenting the budget closing report for the Nevada Division of Forestry (NDF) in the Department of Conservation and Natural Resources (DCNR). Fiscal staff provides the following information to effectuate the decisions required regarding the funding source changes and transfers recommended in the *Executive Budget* in various related NDF budgets. The discussion of Division-wide budget closing issues begins on page 61 of [Exhibit C](#).

The first major issue relates to the Forest Fire Suppression B/A 101-4196.

INFRASTRUCTURE

CONSERVATION AND NATURAL RESOURCES

DCNR - Forest Fire Suppression — Budget Page DCNR-102 (Volume III) Budget Account 101-4196

The Forest Fire Suppression budget provides funding to protect public and private land, property, and resources from fires, floods, and other disasters and emergencies. The budget is funded with General Fund appropriations, Federal Emergency Management Agency Fire Management Assistance Grants, and reimbursements for firefighting and emergency response provided on lands outside of the State's jurisdiction. Since FY 2007-2008, the Legislature has approved \$2.5 million in General Fund appropriations each fiscal year for the Forest Fire Suppression budget.

The *Executive Budget* recommends changing the funding source from \$2.5 million in General Fund appropriations each year to approximately \$1.8 million each year in county reimbursement fees collected from participants in the Wildland Fire Protection Program (WFPP) B/A 101-4194. Fiscal staff notes that this proposal would leave this budget with General Fund

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appropriations totaling \$608,034 in FY 2017-2018 and \$564,252 in FY 2018-2019, as recommended by the Governor, which could limit the availability of cash at the beginning of each fiscal year to pay costs associated with the suppression of wildland fires and other emergencies.

DCNR - Forestry - Wildland Fire Protection Prgm — Budget Page DCNR-114
(Volume III)
Budget Account 101-4194

The *Executive Budget* also recommends transferring the reserves in the WFPP budget to the Forest Fire Suppression budget, as part of the Governor's proposal to eliminate the WFPP budget. Fiscal staff does not recommend approval of the funding source change or the transfer of reserves from the WFPP budget. This decision would be cost neutral.

Do the Subcommittees wish to approve the Governor's recommendation to change the funding source for B/A 101-4196 from \$2.5 million in General Fund appropriations each year for the suppression of wildfires, to approximately \$1.8 million each year in county participation funds paid for the WFPP? Do the Subcommittees wish to approve the Governor's recommendation to transfer reserves from the WFPP to the Forest Fire Suppression budget? If so, Staff requests authority to make the necessary technical adjustments to effect these changes.

ASSEMBLYWOMAN TITUS:

Is the county participation voluntary in contracts with individual counties?

Ms. GAMROTH:

Yes, it is voluntary.

ASSEMBLYWOMAN TITUS:

How are they established?

Ms. GAMROTH:

They are established as revenue contracts and approved by the Board of Examiners.

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ASSEMBLYMAN SPRINKLE:

As I understand it, the Governor's recommendation will tie up money when we need it the most. I am inclined to disapprove it.

SENATOR GOICOECHEA:

As I understand the recommendation, we are transferring funds from wildfire protection to the suppression budget.

Ms. GAMROTH:

The Governor recommends the transfer of the county participation funds from the WFPP to the Forest Fire Suppression budget, and to replace the funding with General Fund appropriations. Staff is recommending that you do not approve this measure, as it would reduce the General Fund appropriation that has been typically appropriated to B/A 101-4196. There would be less available cash at the beginning of the year.

SENATOR GOICOECHEA:

Would the WFPP money be used to replace the \$2.5 million?

Ms. GAMROTH:

Only \$1.8 million would come from WFPP. The difference of approximately \$700,000 would come from General Fund appropriations and would be the only cash in the budget at the beginning of the fiscal year. Contracts with other entities are set up for reimbursement on a quarterly basis, which would likely result in the account being cash-poor during some of the worst fire months.

SENATOR GOICOECHEA:

We typically have our large fires July through October. We end up owing a lot of money to vendors. I understand the problem.

ASSEMBLYWOMAN TITUS:

When counties signed their contracts, it was with the understanding of what the money would be used for. Does this change any of that?

Ms. GAMROTH:

No, it does not change the fact that the money is used for fire suppression.

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ASSEMBLYMAN SPRINKLE:

I echo all these concerns and feel the Governor's recommendation could leave us in a tight spot without funds to fight fires.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO CHANGE THE FUNDING SOURCE OF THE FOREST FIRE SUPPRESSION B/A 101-4196 FROM \$2.5 MILLION IN GENERAL FUND APPROPRIATIONS EACH YEAR TO APPROXIMATELY \$1.8 MILLION EACH YEAR IN COUNTY REIMBURSEMENTS PAID FOR THE WILDLAND FIRE PROTECTION PROGRAM AND TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO TRANSFER RESERVES FROM THE WFPP B/A 101-4194 TO B/A 101-4196.

SENATOR GOICOECHEA SECONDED THE MOTION.

SENATOR GOICOECHEA:

Are we still talking about the same amount of money? What is the effect on the General Fund?

Ms. GAMROTH:

There is no effect to the General Fund. The transfers are revenue neutral.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The second major issue, discussed on page 62 of [Exhibit C](#), is a proposal to transfer General Fund appropriations for Air Operations program staff in B/A 101-4196 to the Forestry B/A 101-4195. This is decision unit E-902.

DCNR - Forestry — Budget Page DCNR-88 (Volume III)

Budget Account 101-4195

E-902 Transfer Air Ops Salaries From 4196 To 4195 — Page DCNR-98

E-902 Transfer Air Ops Salaries From 4196 To 4195 — Page DCNR-104

The *Executive Budget* recommends eliminating the transfer of forest fire reimbursements for Air Operations support staff by reducing General Fund appropriations and transferring those General Fund appropriations totaling \$146,188 in FY 2017-2018 and \$146,715 in FY 2018-2019 to the Forestry budget and eliminating the category utilized for the transfer. Currently, the Air Operations program includes three support positions in the Forestry budget that are either partially funded, or fully funded with forest fire reimbursements via a transfer from the Forest Fire Suppression B/A 101-4196 to the Forestry B/A 101-4195.

Fiscal staff recommends eliminating the Air Operations cost allocation and funding the portion of the Air Operation positions included in the cost allocation entirely with General Fund appropriations. This decision would require the addition of General Fund appropriations of \$146,188 in FY 2017-2018 and \$146,715 in FY 2018-2019 in the Forestry budget.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE ELIMINATION OF THE AIR OPERATIONS COST ALLOCATION AS RECOMMENDED BY FISCAL STAFF AND INCREASE GENERAL FUND APPROPRIATIONS IN B/A 101-4195, THE FORESTRY BUDGET, BY \$146,188 IN FY 2017-2018 AND \$146,715 IN FY 2018-2019 TO SUPPORT 100 PERCENT OF THE AIR OPERATIONS POSITIONS IN THE FORESTRY BUDGET WITH GENERAL FUND APPROPRIATIONS.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The third major issue is related to the WFPP. The WFPP was established during the 2013-2015 biennium as a voluntary, cooperative arrangement between the NDF and local governments. The program was developed to provide a Statewide, comprehensive WFPP to educate and prepare landowners, reduce the threat of wildfire, provide a well-trained and equipped wildfire suppression force, and rehabilitate damaged lands after a fire. The WFPP is primarily funded with fees paid by the participating local jurisdictions and a small General Fund appropriation for wildland fire rehabilitation activities. The creation of the WFPP allowed the NDF to continue the transition from the Division's historical use of the NRS 473 All-Risk Fire Protection Districts, in the Forestry Inter-Governmental Agreement B/A 101-4227, to a Statewide comprehensive wildland fire management approach.

DCNR - Forestry Inter-Governmental Agreements — Budget Page DCNR-113
(Volume III)
Budget Account 101-4227

The *Executive Budget* decision unit E-900 recommends transferring the WFPP B/A 101-4195 to the main Forestry B/A 101-4195, including the transferring of the 15 permanent positions and 24 seasonal positions and associated operating costs. In conjunction with the recommended transfer, a funding source change for the WFPP is also recommended in the Forestry budget from 100 percent county participation fees to 100 percent General Fund appropriations, in exchange from the Forest Fire Suppression budget, as was previously discussed.

E-900 Transfer Expenditures From 4194 To 4195 — Page DCNR-97
E-900 Transfer Expenditures From 4194 To 4195 — Page DCNR-116

Fiscal staff notes that the WFPP, having been established for just four years, has yet to obtain 100 percent participation, so consolidating the WFPP into the Forestry budget at this time may be premature. Further, the Subcommittees expressed concerns regarding the impact of imbedding the WFPP positions and associated costs into the Forestry budget if any WFPP participants withdrew from the program. If approved, these decision units would eliminate the WFPP budget. Fiscal staff does not recommend the transfer of the WFPP to the

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Forestry budget and recommends that the WFPP remain in the existing standalone budget with current funding of county participation funds.

ASSEMBLYMAN SPRINKLE:

I agree with the Fiscal staff analysis. We just started this program, and we do not have full participation; we need to see what it can do.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION TO TRANSFER THE WFPP B/A 101-4194, INCLUDING ALL POSITIONS AND OPERATING COSTS, TO THE FORESTRY B/A 101-4195.

SENATOR FORD SECONDED THE MOTION.

SENATOR GOICOECHEA:

I will support this because it does not hurt for it to be a standalone budget, but ultimately, they will have to transfer it. I wonder if NDF is hoping to have better participation if it were transferred.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The last divisionwide major issue, discussed on page 63 of [Exhibit C](#), regards an LOI. During the budget hearing, the Subcommittees expressed concern regarding various fiscal and programmatic practices and policies implemented by the NDF. In addition, Fiscal staff has identified numerous processes and methodologies that could be reviewed over the upcoming Interim to determine if changes are required or appropriate.

Additionally, the LCB Audit Division is currently undertaking an audit of the NDF, which may include the review of items discussed during the Division's

budget hearings and issues identified by Fiscal staff. Further, a new administrator for the DCNR was hired in December 2016, a new deputy for the Department was hired in February 2017, and the NDF is currently looking to fill the vacant forester position after the resignation of the State forester in April 2017. The position is currently held by an acting State forester.

Accordingly, Fiscal staff recommends the Subcommittees consider issuing a comprehensive Division-wide LOI directing the NDF to provide semiannual status reports to the IFC regarding its review and evaluation of the following processes and programs:

- Divisionwide cost allocation methodologies;
- Wildland Fire Protection Program;
- Pre-positioning of positions and resources for Fire Suppression;
- Evaluation of the staffing and equipment needs for the suppression of wildland fires; and
- Resources needed to process fire billings in a timely manner.

ASSEMBLYWOMAN TITUS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ISSUING A COMPREHENSIVE, DIVISION-WIDE LOI DIRECTING THE NDF TO REPORT TO THE IFC ON A SEMIANNUAL BASIS REGARDING THE PROGRESS OF ITS REVIEW AND EVALUATION OF FISCAL PRACTICES, INCLUDING COST ALLOCATION, PROGRAM POLICIES AND PROCESSES AS IDENTIFIED BY FISCAL STAFF.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The next budget is Forestry B/A 101-4195 begins on page 65 of [Exhibit C](#), and we will begin with the major closing issues beginning on page 69.

The first major closing issue is decision unit E-350, the Governor's Drought Initiative.

E-350 Safe and Livable Communities — Page DCNR-93

As part of the Governor's Drought Initiative, the *Executive Budget* recommends 1 new permanent aircraft maintenance specialist and 12 seasonal positions, including 10 seasonal firefighter positions ranging from 6 months to 9 months per position, and 2 seasonal forestry equipment operator positions for 6 months per position, and associated travel, operating and equipment costs for the NDF Helitack program to support drought response capabilities and management of natural resources. This recommendation is funded with General Fund appropriations totaling \$273,172 in FY 2017-2018 and \$505,222 in FY 2018-2019.

The NDF indicates this decision unit would fully staff two initial attack firefighting modules as well as a third limited use (bucket only) aircraft and would support the Nevada National Guard helicopters with helicopter managers. The NDF indicates if the recommended staffing increase is approved, the Division would have the capability to handle multiple high-priority fires that may occur at the same time, and the initial attack success during drought conditions would increase, thus improving the chance of saving life, property, habitat and critical watersheds. The NDF currently operates three military surplus Federal Excess Personal Property program UH-1H helicopters.

Fiscal staff included technical adjustments in this closing document to remove the seasonal positions from being counted as permanent full-time positions, and instead included the total costs of the seasonal positions as a separate "seasonal salaries" line item in the Personnel category. In addition, Fiscal staff included technical adjustments in this closing document for the 10 seasonal firefighting positions to be consistent with the seasonal firefighting positions currently funded in the base budget for the existing Helitack Crew. The adjustments include: reducing all 10 seasonal firefighting positions to 5-month

seasonal positions (from May 1 through October 31), reducing adjustments included in the *Executive Budget* that increased the grade level from the grade level that is established for a seasonal firefighting position and reducing the step increases included in this decision to a Step 1, which results in a decrease of General Fund appropriations totaling \$41,383 in FY 2017-2018 and \$82,790 in FY 2018-2019. In the base budget, the NDF has 32 seasonal firefighter positions and, as of this writing, only 11 have been filled. Of the 11 positions filled, only three are filled at a Grade 28, with the remaining positions filled at a lower grade level. These adjustments are consistent with how the seasonal firefighter positions in the base budget were approved by the 2015 Legislature.

In addition, a technical adjustment was completed to add safety helmets for the new seasonal firefighter positions for the new Helitack crew that were omitted in the *Executive Budget*, resulting in an increase of General Fund appropriations totaling \$14,069 in FY 2017-2018.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE GENERAL FUND APPROPRIATIONS TOTALING \$245,858 IN FY 2017-2018 AND \$422,432 IN FY 2018-2019 IN B/A 101-4195, WHICH INCLUDES NOTED TECHNICAL ADJUSTMENTS FOR ONE NEW AIRCRAFT MAINTENANCE SPECIALIST POSITION AND 12 SEASONAL POSITIONS (10 SEASONAL FIRE FIGHTERS AND 2 SEASONAL FORESTRY EQUIPMENT OPERATORS) TO SUPPORT THE GOVERNOR'S DROUGHT INITIATIVE.

SENATOR GOICOECHEA SECONDED THE MOTION.

SENATOR GOICOECHEA:

I assume all of NDF will be coming back and reporting to IFC.

MS. GAMROTH:

That is correct. In the motion regarding the LOI, the Subcommittees voted to request a report semiannually, with a final report July 1, 2018.

SENATOR GOICOECHEA:

I would like them to report how the WFPP is working.

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Ms. GAMROTH:
I can include that in the LOI.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN FRIERSON AND SWANK WERE EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:
The second major closing issue is a new decision unit for the Nevada Network of Fire Adaptive Communities Program, discussed on pages 70 and 71 of [Exhibit C](#).

In April, the NDF submitted a request to fund one new conservation staff specialist position and associated operating and equipment costs, funded with the U.S. Forest Service (USFS) Consolidated Payments grant, the USFS Fuels Reduction grant, and with cost allocation reimbursements totaling \$232,624 over the 2017-2019 biennium for the Nevada Network of Fire Adaptive Communities Program.

The NDF indicates grant funding is available to support the new position through the 2017-2019 biennium, and they are working with the primary investing stakeholders, including the Bureau of Land Management (BLM) and the USFS to support the position in future biennia. The initial informal agreement is a third split between the NDF, the BLM and the USFS for program support expenditures, which the NDF indicates would require State funding in future biennia.

As background information, the NDF indicates the BLM and USFS were the primary funding partners for the Nevada Fire Safe Council (NFSC) from its inception in 2000. This grass roots, community-based organization provided communities with education, outreach and financial support to mitigate the threats of wildfire in communities. It was the first Statewide organization of its kind in the United States that focused on creating and maintaining fire-adapted communities. Fire-adapted communities have been defined as communities that

can survive a wildfire occurring within or adjacent to the community with a limited amount of fire suppression forces available from local areas. The NDF stated that this is important for communities to sustain to prevent the loss of human life and property while coexisting with the natural, fire-prone environments of Nevada. The NFSC also provided the State, federal and local agencies mechanisms to work together for the protection of subject communities, primarily through hazardous fuel reduction and threat mitigation education.

The NFSC was dissolved in 2011. This left the communities without a leadership organization and supporting coordination staff, and most communities stopped doing critical wildfire threat reduction work.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ONE NEW CONSERVATION STAFF SPECIALIST POSITION AND ASSOCIATED OPERATING AND EQUIPMENT COSTS IN B/A 101-4195, FUNDED WITH FEDERAL FUNDS AND COST ALLOCATION REIMBURSEMENTS TOTALING \$232,624 OVER THE 2017-2019 BIENNIUM.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The third major closing issue in B/A 101-4195, beginning on page 71 of [Exhibit C](#), is the repurposing of General Fund appropriations in the base budget that were identified by Fiscal staff and discussed during the budget hearing.

Fiscal staff notes that the NDF included adjusted base budget changes to the funding source for an IT professional position from 100 percent Central Reporting Unit (CRU) assessments to 100 percent General Fund appropriations.

In addition, the NDF included changes to the funding source for an accounting assistant position, from 25 percent fire reimbursements and 75 percent General Fund appropriations to 100 percent CRU assessments. The change in the funding source for the two positions results in an increase of General Fund appropriations totaling \$33,496 in FY 2017-2018 and \$35,109 in FY 2018-2019. Based on the work performance standards for the accounting assistant, it appears reasonable to fund 100 percent of the accounting assistant position with CRU assessments; however, it appears as though the IT professional position would continue to provide some support to the CRU.

In a request for additional information, the NDF was asked to justify why it is no longer appropriate to fund the costs of the IT professional position from the CRU. The NDF indicated as part of the master agreement between the NDF and various federal agencies, the Division is not obligated to charge administrative or overhead charges. Further, the NDF stated that since the IT position supports the Division as a whole, it is inappropriate to include those expenses as billable to fires. The NDF is attempting to align CRU funding with CRU positions, and align positions benefitting the Division as General Funded. The change in the funding sources for both the accounting assistant and IT professional position appear reasonable.

Additionally, the NDF included the elimination of revenues in both years of the 2017-2019 biennium previously budgeted for the Elko and Minden Interagency Dispatch Centers (IDC) for reimbursements received from the BLM and the USFS. In addition, an adjustment was made to increase the Interagency Wildland Fire Dispatch category totaling \$57,336 in FY 2017-2018 and \$62,999 in FY 2018-2019, which the NDF indicates is based on the additional cost per a draft cost-sharing agreement with the BLM and USFS for the Minden and Elko IDCs. The NDF has indicated the cost-sharing agreement for 2017 has not been finalized. With the elimination of the reimbursements and the increase to the Interagency Wildland Fire Dispatch category included as an adjustment in the base budget, the increase to General Fund appropriations over the 2017-2019 biennium for the two dispatch centers totals \$265,075. The NDF indicates it is working with its BLM and USFS counterparts to fairly share costs based on actual and projected costs while awaiting an agreement. They determined it was imperative to do so during the past Interim due to the dangerous nature of the NDF's daily mission of natural resource project work,

wildland fire and flood emergency response, and the need for staff communication.

The table on pages 73 and 74 of [Exhibit C](#) details the programs and expenses and the amount of the General Fund appropriation increase or decrease for the 2017-2019 biennium that were eliminated or added in the base budget.

Do the Subcommittees wish to approve the following General Fund appropriations that were repurposed in the base budget for purposes other than the purpose approved by the 2015 Legislature for the 2017-2019 biennium:

- Change the funding source for the salaries and fringe benefits for the IT professional positions from 100 percent CRU Assessments to 100 percent General Fund appropriations?
- Change the funding source for the accounting assistant position from 25 percent of the salaries and fringe benefits included in the Air Operations cost allocation to 100 percent funding from the CRU assessments?
- Eliminate revenues in both years of the 2017-2019 biennium previously budgeted for the Elko and Minden IDC for reimbursements received from the BLM and USFS?
- An adjustment to increase the Interagency Wildland Fire Dispatch category totaling \$57,336 in FY 2017-2018 and \$62,999 in FY 2018-2019, which the NDF indicates is based on the additional cost per a draft cost-sharing agreement with the BLM and USFS for the Minden and Elko IDCs?

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE FOR B/A 101-4195 THE GENERAL FUND APPROPRIATIONS THAT WERE REPURPOSED IN THE BASE BUDGET FOR PURPOSES OTHER THAN THE PURPOSE APPROVED BY THE 2015 LEGISLATURE FOR THE 2017-2019 BIENNIUM AS OUTLINED BY FISCAL STAFF ON PAGE 74 OF [EXHIBIT C](#).

SENATOR GOICOECHEA SECONDED THE MOTION.

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SENATOR GOICOECHEA:

What are we doing with the dispatch centers in Elko and Minden? Will we eventually have a contract with the BLM and USFS in which they will cost-share?

Ms. GAMROTH:

My understanding is the NDF is working with BLM and USFS for those IDCs in Minden and Elko. Based on the draft, the NDF share of that would be \$250,000.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

There are 11 other closing items found on pages 74 through 77 of [Exhibit C](#). Items 1, 2, 5 and 10 include technical adjustments completed by Staff. Other closing item 9 will be considered by the money committees when all other Statewide decision units are discussed. Staff recommends approving the other closing items, excluding other closing item 9, as recommended by the Governor, including noted technical adjustments and with authority for Staff to make other technical adjustments as necessary.

ASSEMBLYWOMAN SWANK MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE IN B/A 101-4195 OTHER CLOSING ITEMS, EXCLUDING OTHER CLOSING ITEM 9, AS RECOMMENDED BY THE GOVERNOR, INCLUDING THE NOTED TECHNICAL ADJUSTMENTS AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR FORD SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The next budget is Forest Fire Suppression, B/A 101-4196, beginning on page 79 of [Exhibit C](#). The major closing issues were discussed and decided by the Subcommittees under the Division-wide budget closing document. There are five other closing items. Item 1 includes a technical adjustment completed by Staff. Staff recommends the other closing items be approved as recommended by the Governor.

SENATOR FORD MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS IN B/A 101-4196 AS RECOMMENDED BY THE GOVERNOR, WITH THE NOTED TECHNICAL ADJUSTMENTS AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The next budget is Forestry Conservation Camps B/A 101-4198, beginning on page 83 of [Exhibit C](#). There is one major closing issue, which is decision unit E-225, the consolidation of the conservation camp-specific expenditures.

DCNR - Forestry Conservation Camps — Budget Page DCNR-106 (Volume III)
Budget Account 101-4198

E-225 Efficient and Responsive State Government — Page DCNR-108

The Governor recommends the consolidation of the conservation camp-specific operating categories and the consolidation of a majority of the standard expense categories into two categories. The decision unit is revenue neutral.

The standard categories proposed for consolidation include out-of-State travel, in-State travel, a portion of the operating expenses category, equipment, a portion of information services category and a portion of the training category. The conservation camp-specific categories for Stewart, Pioche, Three Lakes Valley, Wells, Ely, Jean, Carlin, Tonopah, and Humboldt conservation camps, and the standard expenses categories would be consolidated in two new categories titled "conservation camps" and "conservation camp administration." The NDF indicates that it would track costs for specific camps by using organizational codes.

Per the NDF response to a request for additional information, the Division indicated that projecting expenditures in advance for each individual camp is difficult and results in inaccuracies. The NDF states that submitting work programs for IFC approval is acceptable, provided it is understood that the nature of the expenditures in this budget would necessitate that they be retroactive.

During the budget hearing, the Subcommittees expressed concern that the recommendation to consolidate the camp categories would result in reduced transparency. For this reason, Fiscal staff does not recommend approval of this decision unit.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE IN B/A 101-4198 THE GOVERNOR'S RECOMMENDATION TO CONSOLIDATE THE CONSERVATION CAMP-SPECIFIC EXPENDITURE CATEGORIES AND THE MAJORITY OF THE STANDARD EXPENSE CATEGORIES INTO TWO CATEGORIES.

SENATOR FORD SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

There are four other closing items in B/A 101-4198, found on page 85 of [Exhibit C](#). Items 1 and 2 include technical adjustments.

SENATOR FORD MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS 3 AND 4 IN B/A 101-4198 AS RECOMMENDED BY THE GOVERNOR, OTHER CLOSING ITEMS 1 AND 2 WITH THE NOTED TECHNICAL ADJUSTMENTS AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The next budget is Forestry Wildland Fire Protection Program B/A 101-4194, beginning on page 87 of [Exhibit C](#). The major closing issues were discussed and decided by the Subcommittees when the Division-wide closing issues were considered.

There are six other closing items, and two include technical adjustments. Staff recommends other closing items be approved with the noted technical adjustments, and requests authority to make other technical adjustments as needed.

ASSEMBLYWOMAN TITUS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS IN B/A 101-4194

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WITH THE NOTED TECHNICAL ADJUSTMENTS AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. GAMROTH:

The last budget for the NDF is Forestry Nurseries B/A 257-4235, beginning on page 91 of [Exhibit C](#). Fiscal staff is responsible for developing closing recommendations for this budget and the Subcommittees have not previously reviewed it.

DCNR - Forestry Nurseries — Budget Page DCNR-119 (Volume III)
Budget Account 257-4235

The Forestry Nurseries budget is an enterprise fund that supports various forestry programs. The Nursery program offers low-cost native or adapted plant species acclimated to Nevada's environmental conditions for conservation purposes and to assist the public and other governmental agencies with the protection and enhancement of watersheds, forestland, and open spaces. The Seedbank program provides seed, equipment, and other materials to rehabilitate fire-damaged wildlands or other disturbed sites, as well as assists private landowners and public agencies with conservation treatments on their lands to reduce soil erosion, increase plant diversity, improve wildlife habitat, and reduce the threat of wildland fire.

Funding for the programs comes primarily from nursery and seed sales, equipment rental fees, and a transfer from the Forestry budget. There are no major closing issues and one other closing item, the maintenance budget for chippers, decision unit E-350.

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E-350 Safe and Livable Communities — Page DCNR-121

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE B/A 257-4235 AS RECOMMENDED BY THE GOVERNOR AND WITH AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED. (SENATOR FORD WAS EXCUSED.)

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CHAIR PARKS:

We will move on to the Department of Veterans Services (NDVS).

LEANN DRA COPELAND (Program Analyst):

The first budget is the Office of Veterans Services B/A 101-2560 beginning on page 93 of [Exhibit C](#). The major closing issue is decision unit E-227, two new veterans service representatives (VSR), discussed on pages 94 through 96.

SPECIAL PURPOSE AGENCIES

VETERANS' SERVICES

NDVS - Office of Veterans Services — Budget Page VETERANS-7 (Volume III)
Budget Account 101-2560

E-227 Efficient and Responsive State Government — Page VETERANS-10

The NDVS indicates two new VSR positions are needed to address long wait times, a growing veteran population and increased demand for services.

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The NDVS indicates that it has several planned outreach initiatives for the VSRs that would generate additional workload. Some of the initiatives are a prison outreach initiative, service to tribal communities and the Veterans in Care initiative.

Fiscal staff asked NDVS to provide statistics showing a need for additional VSR positions. In response, the NDVS noted that a recent study concluded that Nevada needs twice as many VSRs as it currently has.

The two new VSRs are slotted to be in Elko and Las Vegas. Currently, the median wait times are four weeks in Elko and five weeks in Las Vegas. With the new positions, the NDVS anticipates wait times to be reduced to two weeks in Elko and two to three weeks in Las Vegas.

SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE GENERAL FUND APPROPRIATIONS OF \$104,755 IN FY 2017-2018 AND \$129,211 IN FY 2018-2019 FOR PERSONNEL, OPERATING AND IN-STATE TRAVEL EXPENDITURES FOR TWO ADDITIONAL VSR POSITIONS IN B/A 101-2560.

ASSEMBLYMAN SPRINKLE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

There are five other closing items discussed on pages 96 and 97 of [Exhibit C](#). Staff recommends approval of other closing item 1 with the technical adjustments made by Staff. Other closing item 2 will be determined later with other Statewide decision units. Staff recommends approval of other closing items 3 and 4 regarding the computer replacement and of cemetery equipment as recommended by the Governor. The reclassification of a classified administrative assistant to an unclassified executive assistant, discussed in

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other closing item 5, will be determined at a later date in conjunction with the Pay Bill. Staff requests authority to make technical adjustments to this budget as necessary.

SENATOR FORD MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS IN B/A 101-2560 AS RECOMMENDED BY FISCAL STAFF, WITH TECHNICAL ADJUSTMENTS NOTED AND WITH AUTHORITY TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN SWANK SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN FRIERSON WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The next budget is the Southern Nevada Veterans Home (SNVH) B/A 101-2561 beginning on page 99 of [Exhibit C](#). The major closing issue is the reserves, discussed on pages 100 through 102.

NDVS - Southern Nevada Veterans Home Account — Budget Page
VETERANS-14 (Volume III)
Budget Account 101-2561

Fiscal year 2011-2012 was the first year the SNVH operated without General Fund support. The *Executive Budget* projects reserves of \$5.7 million at the end of FY 2018-2019. However, Fiscal staff has identified an error in the budget where a \$1.9 million reduction in the balance forward from FY 2015-2016 to FY 2016-2017 was not included in the projected balance forward from FY 2016-2017 to FY 2017-2018. Accordingly, the reserves are overstated by approximately \$1.9 million, resulting in a projected reserve level of \$3.9 million at the end of FY 2018-2019.

Fiscal staff notes that the NDVS has indicated a target reserve level of \$3 million, or 65 days of operating costs. This would meet the budgetary needs of the Home. In addition, it should be noted that the NDVS intends to utilize \$2 million currently in reserves in the SNVH budget for the purchase of furniture, fixtures, and equipment for the new Northern Nevada Veterans Home.

Additionally, the NDVS submitted three work programs for consideration at the April IFC meeting that would reduce reserves by \$2 million in FY 2016-2017. Had these work programs been approved as submitted, the projected reserve would have been completely eliminated in the SNVH budget by FY 2018-2019.

However, after a joint meeting between the NDVS, Governor's Finance Office, and Fiscal staff, the Department subsequently revised the funding source of the IFC work programs to reprojected incoming revenue. The revised revenue projections are in the table on page 101 of [Exhibit C](#). The largest increase was in Veterans Administration (VA) reimbursement, which is due to a change in federal policy on the SNVH's per diem reimbursement rates. The funding mix varies with the patient mix. If there are a large number of service-connected disabled patients, the reimbursement rate is higher. The projections appear reasonable to Staff. The NDVS revised projections for the upcoming biennium, and arrived at a reserve balance for FY 2018-2019 of \$3 million, which was the target.

The Subcommittees inquired into plans for budget reductions or cost-saving measures that could be employed if the SNVH's reserve levels do not meet NDVS projections. The Department responded that it is unlikely that the SNVH's revenue projections will not be met; however, it indicated it could delay projects, curtail activities or increase rates should the need arise.

ASSEMBLYWOMAN TITUS:

Do I understand that the VA reimbursement rates vary depending on whether a disability is service-related?

MS. COPELAND:

Yes, that is correct.

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ASSEMBLYWOMAN TITUS:

If there is a waiting list for this Home or the new Northern Nevada Veterans Home, will they prioritize those that have service-related disabilities?

Ms. COPELAND:

I do not know whether the waiting list is prioritized. The Agency actively works with individuals to increase their disability rating if the NDVS believes they will qualify for a higher rating. Individuals can work with a VSR to apply for disability. We have seen a trend toward an increase in the number of service-connected disabled because of the Agency's efforts.

CHAIR PARKS:

The \$2 million for furniture and fixtures for the Northern Nevada Veterans Home is coming from this account, but when it is expended will it be from the CIP account?

Ms. COPELAND:

If the CIP is approved and the funds for furniture and fixtures is approved, then the funds will be transferred to the CIP budget.

ASSEMBLYWOMAN TITUS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE IN B/A 101-2561 THE NDVS REVISED REVENUE PROJECTIONS, WHICH RESULT IN A PROJECTED RESERVE LEVEL OF \$5.3 MILLION IN FY 2017-2018 AND \$3 MILLION IN FY 2018-2019, AFTER ALLOCATING \$2 MILLION FOR FURNITURE, FIXTURES AND EQUIPMENT FOR THE NORTHERN NEVADA VETERANS HOME, AND TOTAL REVENUE PROJECTIONS OF \$19.8 MILLION IN BOTH FY 2017-2018 AND FY 2018-2019.

SENATOR GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMEN EDWARDS AND FRIERSON WERE EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

There are six other closing items noted on pages 102 through 105 of [Exhibit C](#). Fiscal staff recommends approval of other closing items 1 and 4, with the exception of decision unit E-719, and other closing items 5 and 6 as recommended by the Governor. Staff does not recommend decision unit E-719, because it is duplicative to a project in the Governor's recommended CIP budget. Other closing items 2 and 3 will be determined at a later date. Staff requests authority to make technical adjustments to this budget as necessary.

E-719 Equipment Replacement — Page VETERANS-19

SENATOR FORD MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE OTHER CLOSING ITEMS IN B/A 101-2561, WITH THE EXCLUSION OF DECISION UNIT E-718, AS RECOMMENDED BY FISCAL STAFF, WITH TECHNICAL ADJUSTMENTS NOTED AND WITH AUTHORITY TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN FRIERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN EDWARDS WAS EXCUSED.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. COPELAND:

The next budget is the Northern Nevada Veterans Home B/A 101-2569 beginning on page 107 of [Exhibit C](#). The major closing issue is decision unit E-275, the creation of a new budget to operate the Northern Nevada Veterans Home (NNVH), discussed on pages 107 through 111.

NDVS - Northern Nevada Veterans Home Account — Budget Page
VETERANS-25 (Volume III)
Budget Account 101-2569

E-275 Educated and Healthy Citizenry — Page VETERANS-25

The Governor recommends the creation of a new budget, along with four new positions, to begin planning for staff and implementing operations of a 96-bed skilled nursing care facility in Sparks for veterans, spouses of veterans and Gold Star Parents who had a child who died while in military service.

Funding for the construction of the home is being recommended through a CIP for the 2017-2019 biennium.

Project No. 17-C13—Northern Nevada Veterans Home

The State Public Works Board indicates that if the associated CIP were approved, the construction would start in July 2017, and could be complete by December 2018.

In conjunction with the new budget, the Governor recommends \$36 million in State funds for the CIP project to begin construction of the Home. Some of the funds were approved by the 2015 Legislature, but due to delays in federal funding, the project did not move forward. To advance this project, the Governor is recommending the State fund the expected federal payback portion of \$33.1 million with General Fund appropriations and an additional \$3 million in general obligation bonds in order to allow the project to begin in the upcoming biennium.

The Subcommittees inquired about any assurances the State has that it will be reimbursed for the \$33.1 million General Fund appropriation in the CIP project. The NDVS testified that every state that funded homes upfront were reimbursed once their project reached the top of the priority list. However, the NDVS stated that it is not known when the State will be reimbursed for the project and it is possible, but unlikely, that the project may move down the list. It was discussed during the budget hearing that the State has already allocated the match in FY 2014-2015, and the project would move up or down the list regardless of the additional \$36 million in State funds recommended in CIP 17-C13.

In FY 2017-2018, the recommended funding would support four new positions, which would start as soon as construction begins, in-State travel, office furnishings and operating costs.

Of the \$7.4 million recommended in FY 2018-2019, \$6.2 million would be allocated to a management company to operate the home. The NDVS recommends contracting with a health management company for three reasons: 1) the ability to reach full census and be self-funded as soon as possible; 2) the availability of qualified staff, and; 3) reduced operational risk. The NDVS notes that once the facility is operational, it could consider transitioning to a State-run operating model, like the Southern Nevada Veterans Home.

The budget assumes the home will be 95 percent occupied, or have an average of 91 residents per day, beginning in January 2019. However, according to the handout presented to the 2017 Legislative Commission's Budget Subcommittee on January 26, the timeline indicates full occupancy in November 2019. The Subcommittee on Public Safety, Natural Resources and Transportation inquired into the rationale for funding the NNVH at 95 percent occupancy beginning in January 2019, when the NDVS anticipates full occupancy in November 2019. The NDVS indicates that the funding would allow the Department to compensate for unanticipated or inflationary costs without affecting the operation. In addition, the NDVS testified that certain fixed costs are unavoidable, such as landscaping and insurance. However, Fiscal staff notes that variable costs such as the number of staff, resident activities, and laundry expenditures would increase as the number of residents increase, and both fixed and variable costs are budgeted as if the home were to have an average of 91 residents per day beginning January 2019.

If the Subcommittees wish to approve the creation of a new budget, along with four new positions, to begin planning for staff and implementing operations of a 96-bed skilled nursing care facility for veterans in Sparks, it could consider the following two options:

A. Approve the Governor' recommendation for the creation of a new budget, along with four new positions, funded with \$226,901 in General Fund appropriations in FY 2017-2018 and \$7.4 million in FY 2018-2019.

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B. Approve total General Fund appropriations of \$226,901 in FY 2017-2018 and \$7.4 million in FY 2018-2019 as recommended by the Governor; however, provide \$5.3 million directly to the NNVH budget for FY 2018-2019 and appropriate the remaining \$2.1 million, which represents one-third of the vendor costs, to the IFC Contingency Account, directing the NDVS to approach the IFC in FY 2018-2019 with a plan for utilizing the funding if needed. This option would address some concerns the Subcommittees expressed related to the NDVS projecting its expenditures based on an occupancy rate of 95 percent beginning January 2019, but the timeline indicating the facility would not reach a 95 percent occupancy rate until November 2019.

ASSEMBLYMAN SPRINKLE:

I have been following the ongoing discussions related to this matter. I would recommend that we delay any decision on this today and let it be taken up by the full Committees.

ASSEMBLYMAN SPRINKLE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO POSTPONE RECOMMENDATIONS ON B/A 101-2569 AND BRING IT BEFORE THE FULL MONEY COMMITTEES.

SENATOR FORD SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN EDWARDS VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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SENATOR GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO GIVE AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED IN B/A 101-2569.

SENATOR FORD SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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CHAIR PARKS:

Is there anyone wishing to make public comment? Seeing no one, this meeting is adjourned at 11:01 a.m.

RESPECTFULLY SUBMITTED:

Barbara Williams,
Transcribing Secretary

APPROVED BY:

Senator David R. Parks, Chair

DATE: _____

Assemblyman Jason Frierson, Chair

DATE: _____

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EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	2		Attendance Roster
	C	112	Fiscal Analysis Division	Closing List #9