

**MINUTES OF THE MEETING OF THE LEGISLATIVE COMMISSION'S
BUDGET SUBCOMMITTEE**

**Seventy-Ninth Session
January 31, 2017**

The meeting of the Legislative Commission's Budget Subcommittee was called to order by Chair Joyce Woodhouse at 8:05 a.m. on Tuesday, January 31, 2017, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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 COMMITTEE MEMBERS PRESENT:

Senator Joyce Woodhouse, Chair
Senator David R. Parks, Vice Chair
Senator Moises Denis
Senator Aaron D. Ford
Senator Ben Kieckhefer
Senator Pete Goicoechea
Senator Becky Harris

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblyman Jason Frierson, Vice Chair
Assemblyman Paul Anderson
Assemblyman Nelson Araujo
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblywoman Olivia Diaz
Assemblyman Chris Edwards
Assemblyman John Hambrick
Assemblyman James Oscarson
Assemblywoman Ellen B. Spiegel
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Cindy Jones, Assembly Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Sarah Coffman, Principal Deputy Fiscal Analyst
Julie Waller, Senior Program Analyst
Cathy Crockett, Program Analyst
Jaimarie Dagdagan, Program Analyst
Mandi Davis, Program Analyst
Adam Drost, Program Analyst
Kristen Kolbe, Program Analyst
Kristina Shea, Program Analyst
Lona Domenici, Committee Manager
Cynthia Clampitt, Committee Secretary
Mary Sullivan, Committee Secretary
Colby Nichols, Committee Secretary
Kurt Englehart, Committee Assistant

OTHERS PRESENT:

Kent Ervin, Ph.D., Legislative Liaison, Nevada Faculty Alliance
Terri Laird, Executive Director, Retired Public Employees of Nevada
Priscilla Maloney, American Federation of State, County and Municipal
Employees Local 4041
Marlene Lockard, Retired Public Employees of Nevada
Damon Haycock, Executive Officer, Nevada Public Employees' Benefits Program
James Wright, Director, Nevada Department of Public Safety
Connie Bisbee, Chairman, Nevada Board of Parole Commissioners
James Dzurenda, Director, Nevada Department of Corrections
John Borrowman, Deputy Director of Support Services, Nevada Department of
Corrections
Rudy Malfabon, P.E., Director, Nevada Department of Transportation
Felicia Denney, Chief of Financial Management, Nevada Department of
Transportation
Bruce Breslow, Director, Nevada Department of Business and Industry
Bob Bennett, Executive Director, Nevada State Athletic Commission
George Burns, Commissioner, Financial Institutions Division, Nevada Department
of Business and Industry

Barbara Richardson, Nevada Commissioner of Insurance, Nevada Department of Business and Industry
Steve Canavero, Ph.D., Superintendent of Public Instruction, Nevada Department of Education
Roger Rahming, Deputy Superintendent, Business Support and Services Division, Nevada Department of Education
Chris Daly, Deputy Executive Director of Government Relations, Nevada State Education Association

CHAIR WOODHOUSE:

I will call this meeting of the Legislative Commission's Budget Subcommittee to order. We will begin with public comment.

KENT ERVIN, PH.D. (Legislative Liaison, Nevada Faculty Alliance):

The Nevada Faculty Alliance (NFA) represents the faculty and professionals of the Nevada System of Higher Education (NSHE). I wanted to put the Public Employees' Benefits Program (PEBP) budget in context. As NSHE tries to recruit high-quality staff, questions of how our benefits compare to other institutions nationwide are a constant.

The NFA is concerned about the impact of changes to the PEBP budget on our classified employees. Since fiscal year (FY) 2010-2011, there has been virtually no increase in the State's employer contributions. It has stuck at around \$700, despite higher health care costs. Instead, employees have borne the brunt of these increases. The current out-of-pocket maximum for a family of \$7,800 represents a catastrophic level of expense for employees like our administrative assistants, who make \$25,000 to \$35,000 annually. In fact, if these employees have a family of four they would be eligible for Medicaid.

The Governor's infusion of funds is welcome relief. However, benefits are still projected to be cut in FY 2017-2018 when compared to benefits today. There will be \$700 less in the Health Savings Account (HSA) and a \$200 increase in deductible for families. These changes would wipe out the 2 percent cost-of-living adjustment that is proposed for employees, including our entry-level campus police officers.

The benefits are still being funded by excess reserves, which are really savings from cuts in the past that may have been overly aggressive. Again, this has made participants bear the brunt of health care costs. Starting in 2019, PEBP

projects a return to the benefits level of 2011; this is the so-called "base benefits" level. Page 20 of the PEBP presentation ([Exhibit C](#)) shows what is referred to as "plan enhancements"; these are really just a partial restoration of the cuts that were made in 2011. I would like the Committee to ask when PEBP is going to get back to a sounder fiscal path without moving money from year to year, and to seek to provide a higher level of benefits.

The NFA is also concerned about Senate Bill (S.B.) 80 and the removal of the continuing education requirement for PEBP board members. We believe an independent policy-making body is best for employees. The last time the PEBP was under Executive Branch oversight, it went bust. That was in the 1990s, and it had to be bailed out by the Legislature. We should not repeat that historic mistake.

SENATE BILL 80: Makes various changes relating to the Public Employees' Benefits Program and the Deferred Compensation Program. (BDR 18-243)

TERRI LAIRD (Executive Director, Retired Public Employees of Nevada):

The Retired Public Employees of Nevada (RPEN) works with NSHE and we concur with many of Dr. Ervin's comments. We also have concerns about "orphan" retirees, or non-State non-Medicare retirees. I know the Committee has heard a lot about this group in past sessions, and we hope to be able to address this group's concerns this Session.

We also would like to concur with Dr. Ervin's concerns with S.B. 80. Transparency is key for RPEN, and we have concerns that transparency may be at risk should S.B. 80 be approved.

PRISCILLA MALONEY (American Federation of State, County and Municipal Employees Local 4041):

The American Federation of State, County and Municipal Employees (AFSCME) concur with the previous testifiers. We echo their concerns with S.B. 80, and even though AFSCME does not represent the orphan retirees directly, we do stand in solidarity with them and would like to see a legislative solution this Session for their problems, if possible.

We are concerned about the cuts the PEBP Board had voted in on their most recent meeting. We hope our legislators keep in mind that the impact to the employees, whether they are active or retired, comes not just from plan design

changes but also by changes to rates, which are not yet set. As the previous testifiers had said, these can combine to cancel out any net gain from increased spending. We appreciate the Governor's intentions to ameliorate past cuts, but those can be rendered moot if plan design and rate changes result in a net loss to employees.

MARLENE LOCKARD (Retired Public Employees of Nevada):

I concur with comments rendered by the previous testifiers. The RPEN is concerned about the trend of PEBP's decisions to continually reduce benefits for retirees. In 2011, a number of changes were made because of the economic crisis, when in fact, PEBP's anticipated shortfall never materialized. I hope to discuss this more later in this Session.

Retiree benefits were reduced and retirees using Medicare were shifted to an exchange. At PEBP's meeting in November 2016, the Board voted to have retirees pay for administrative costs and for life insurance. This was an increase in cost of \$5 a month. This may not sound like much but for retirees who have consistently seen their benefits reduced, it is another \$60 a year spent for diminished benefits.

In 2011, when those Medicare retirees were mandated to leave this system, I could never get a figure from PEBP about the amount of money left in the system. As the Committee knows, the end of Session bill the Legislature passes appropriates around \$400 to \$500 a month per retiree. You take that amount, multiply it by the number of retirees, and you have the amount that PEBP receives from the State. Then PEBP gets funding from the Medicare Exchange at around \$200 a month per retiree.

I finally learned that there was between \$10 million to \$13 million left in the system by retirees. For the amount that the State has appropriated to PEBP, I think PEBP and the State can continue to pay for retirees' life insurance and the roughly \$2 a month in administrative costs. I hope I can talk with the Committee about this in further detail later in the Session.

CHAIR WOODHOUSE:

The Committee will now hear PEBP's presentation.

DAMON HAYCOCK (Executive Officer, Nevada Public Employees' Benefits Program):

The PEBP is governed by *Nevada Revised Statutes* (NRS) 287 and overseen by a 10-member board appointed by the Governor. Our mission is "recognizing the fiduciary responsibility of the Board, the program shall design and manage a group health and life insurance program centered on the people we serve, promote a healthy population and protect members from medical related catastrophic financial loss."

We employ a staff of 32 full-time positions responsible for enrollment and eligibility, member services, public information, quality control, fiscal services and information technology (IT).

We are funded by employer contributions—the per active employee per month employer contribution and the retiree group insurance assessment that the Legislature approves every session—and employee/retiree premium payments. The PEBP does not receive any direct allocations from the State's General Fund. We are an employer-sponsored group health and life insurance program providing benefits to approximate 43,000 employees and retirees and 27,000 dependents. The PEBP covers about 70,000 lives total.

Slide 6 of [Exhibit C](#) shows our Agency's goals. We believe in access to high-quality benefits that are affordable. Our Board has approved a series of values that includes innovation, protection from catastrophic health care expenses, and the promotion of personal responsibility as a cornerstone of wellness for our members. We are committed to providing tools to assist participants in managing resources and to transparency regarding the operation and financing of our program. We are also committed to clear communication of program design to our stakeholders and to making available voluntary options for participants as deemed appropriate by our Board.

Slide 7 of [Exhibit C](#) explains who constitutes our eligible participants. There are active State employees, State retirees who are either eligible at time of retirement or reenroll during an annual open-enrollment period. There is also a non-State group consisting of local jurisdictions where employers participate in the program. There are non-State retirees who are eligible, barring those who had their eligibility frozen as of November 30, 2008, except those from any participating entity. It is an "all in or all out" policy as defined by S.B. No. 544 of the 74th Session.

To give an example of the numbers of enrollees in the non-State group, we have nine non-State active employees offsetting almost 7,000 non-State retirees. There are about 1,800 enrolled in Consumer-Driven Health Plan (CDHP) and Health Maintenance Organization (HMO) plans today. Those nine non-State active employees offset those 1,800 retirees.

Slides 8 and 9 of [Exhibit C](#) detail our current benefit offerings. We offer medical coverage, including prescription drugs to active employees and non-Medicare retirees through a self-funded CDHP coupled with a HSA or a Health Reimbursement Arrangement (HRA). We also provide HMO options. For Medicare retirees eligible for Premium Free Part A coverage, we offer a Medicare Advantage or Medicare Supplement (known as Medigap plans) and Part D prescription plans through a private market Medicare exchange. We offer all participants access to dental coverage.

We offer basic life insurance, long-term disability, and a cadre of voluntary products including flexible spending accounts, additional life insurance, long-term care, short-term disability and home/auto insurance.

The table on Slide 10 of [Exhibit C](#) shows the CDHP plan design enhancements that were approved for FY 2016-2017. The first column on the left shows a series of benefits, the second shows the base plan that was approved for Plan Year (PY) 2012 and the third shows what was enhanced in PY 2017. We have reduced deductibles, increased coinsurance, provided an annual vision exam at no cost to participants, increased maximum dental benefits, and increased the CDHP HSA/HRA contribution limits for both individuals and dependents, added a Medicare HRA one-time contribution of \$2 a month per year of service, and added additional life insurance coverage.

The table on Slide 11 of [Exhibit C](#) shows the plan design for HMO plans for FY 2016-2017. The leftmost column lists the benefits, the middle shows data for southern Nevada offerings, and the right shows data for northern Nevada. The key here is that the offerings are not the same for the two regions. Both our Board and our participants have asked that we rectify this. We have, and I will discuss this in detail later in the presentation. The most important difference here is the Primary Care Physician (PCP) referral requirement. Southern Nevada has a "gatekeeper" model where participants who need to see a specialist require a PCP referral. This requirement does not exist in northern Nevada.

Slide 12 of [Exhibit C](#) shows our current budget's sources and uses. We have a budget of \$477.3 million, of which 53 percent comes from the State subsidy. Participant contributions account for 20 percent. The carry forward amount, which we use to fund our reserves as well as the enhanced benefits, accounts for 27 percent.

As for uses, fully insured products accounts for 26 percent of the total. Our self-funded claims for medical, dental and life insurance accounts for 39 percent. We save 19 percent for our reserves. Operating and self-funded administrative costs both account for 2 percent respectively. Finally, we spend 12 percent for HSA/HRA contributions.

Slide 13 of [Exhibit C](#) shows a projection of our budget following the end of FY 2016-2017. The Committee should note that the PEBP has exceeded its budgetary projections; this is primarily due to the State's population growth. We did not anticipate the level of population growth we have today when we put this budget together two years ago.

Moving on to Slides 14 and 15 of [Exhibit C](#), the Committee can see that PEBP is seeking \$942.6 million in funding for the 2017-2019 biennium. This budget is broken into the same categories as before. The "All Other" category includes rebates that PEBP receives either through the retiree drug subsidy or from our pharmacy benefits manager. The total funding we seek for FY 2017-2018 total \$467.2 million, and we seek \$475.4 million for FY 2018-2019. The PEBP's plan for expenditure hews very close to the ratios and categories established in the 2015-2017 biennium's budget.

The table on Slide 16 of [Exhibit C](#) shows PEBP's data and projections for enrollment. In 2015, PEBP projected what we thought enrollment would be for FY 2015-2016 and FY 2016-2017. We had over 1,100 more people than projected, which led us to the increase in expenses and revenues I mentioned earlier. We are projected to end FY 2016-2017 with 25,742 active State employees. We seek to have that up to 26,841 people in FY 2017-2018 and 26,900 in FY 2018-2019. The PEBP worked with the Governor's Finance Office to determine what additional positions would be approved for the State as well as our projections for retirees that would leave positions needing backfill. This represents a 2.55 percent growth in FY 2017-2018, and a smaller 0.64 percent growth for FY 2018-2019.

The table on Slide 17 of [Exhibit C](#) shows the PEBP's inflation assumptions. We base these assumptions on actuarial trend projections, historical inflation and our contract maximum increase provisions. For FY 2017-2018, PEBP projects a 3.1 percent increase for medical claims, a 7 percent increase for pharmaceutical claims and a 2 percent increase for dental claims. The PEBP has recently signed HMO contracts with an initial year increase of 5.4 percent for the northern HMO, and a 17.3 percent increase for the southern HMO. Our life insurance and long-term disability vendor has held rates for FY 2017-2018 flat.

For FY 2018-2019, PEBP anticipates a 3.6 percent increase in medical claims, while pharmaceutical and dental claims are anticipated to inflate at the same rate as the previous year. We are going to attempt to hold HMO premiums to 4 percent growth for both the northern and southern HMO in FY 2018-2019. We traditionally build in a measure of inflation for life and long-term disability insurance. This number is set at 10 percent for both now, but PEBP remains unsure if this will be necessary; this figure is standard for when PEBP does not know what renewal rates will be.

Slide 18 of [Exhibit C](#) shows data for employer contributions for the current biennium as well as projections for the upcoming biennium. During public comment, the Committee had heard that these were held roughly flat. I am pleased to say that PEBP is looking at a 6.26 percent increase for FY 2017-2018. For State employees, we project a contribution of \$743 a month per employee for FY 2017-2018 and a contribution of \$740.92 a month per employee for FY 2018-2019. For non-Medicare State retirees, we project monthly contributions of \$445.03 per employee for FY 2017-2018 and \$451.23 per employee in FY 2018-2019. For Medicare retirees' monthly HRA contributions, we anticipate an average of \$180 – roughly the same amount as used today.

Slide 19 of [Exhibit C](#) shows specific information about enhancement units in the Governor's Recommended Budget. Decision unit E-225 eliminates the continuing education requirement for PEBP Board members. This was submitted as a companion to S.B. 80. When the language mandating that continuing education requirement was struck, we needed to eliminate the funding associated with that requirement. This is what the Executive Branch's Bill Draft Request (BDR) 18-979 intends to do. This would remove \$16,445 per fiscal year of the coming biennium from the budget.

FINANCE AND ADMINISTRATION

ADMINISTRATION

Administration – Public Employees Benefits Program — Budget Page ADMIN-29 (Volume I)

Budget Account 625-1338

E-225 Efficient and Responsive State Government — Page ADMIN-34

We also have decision unit E-275 which is our Board-approved benefit enhancements. The Board approved the continuation of benefit enhancements and various cost containment strategies for the CDHP for FY 2017-2018. This occurred at our November 2016 Board meeting. These enhancements are funded through a reduction of excess reserves. At the time of submittal, this was approved at \$7.8 million for FY 2017-2018. We will need to update this amount in a future budget amendment based on decisions made by the Board during the January 2017 meeting, where a total of \$12.9 million was approved.

E-275 Educated and Healthy Citizenry — Page ADMIN-34

Slide 20 of [Exhibit C](#) shows the impact of these benefit enhancements on participants enrolled in the CDHP. The PEBP is looking at reductions in deductibles from \$1,900 for individuals and \$3,800 for families as of plan year 2012 to \$1,600 for individuals and \$3,200 for families for plan year 2018. In plan year 2017, deductibles are \$1,500 for individuals and \$3,000 for families. That makes for a \$100 difference in what those deductibles are today for individuals and \$200 for families. The coinsurance level will remain the same as it is today at an 80 percent/20 percent split. We added a \$25 copay for the annual vision exam; we are still funding over \$1 million for this benefit, however, this copay offsets some of those costs so that PEBP can maintain other enhanced benefits. The dental maximum benefit remains the same as it is this year at \$1,500.

We are adding an additional \$200 for CDHP HSA/HRA contributions for individuals when compared to the plan year 2012 contribution of \$700. This would provide a total of \$900 for individuals, with \$200 tied to a preventive program. For dependents, there is a decrease per dependent from the current \$300 contribution to \$200 per dependent; this cut is primarily due to running

out of funds. Life insurance will double from \$10,000 per employee and \$5,000 per retiree at PY 2012 to \$20,000 per employee and \$10,000 per retiree. This is largely a return to levels that existed prior to major changes made in 2011. It is a \$5,000 reduction from the benefit provided to employees today, and a \$2,500 reduction from the existing level provided to retirees.

The PEBP is excited to add a preventive drug list to our benefits for the CDHP plan. Preventive and maintenance drugs that people may be required to take to deal with issues such as chronic disease. In our current plan design this year, these people must meet their deductible before they can receive help in paying for these drugs. Using a program provided by our pharmacy benefits manager, PEBP has established a preventive drug list that allows people with these prescriptions to bypass their deductible and go right into coinsurance. They receive assistance on day one of the plan to pay for their critical, chronic disease, preventive and maintenance medicine. This does not cover all maintenance medications; PEBP has to adhere to Internal Revenue Service standards for HSA contributions and what we can or cannot carve out of a deductible. This list will be released soon.

Slide 21 of [Exhibit C](#) shows PEBP's HMO plan design. The PEBP was able to solidify the two State regions into one statewide plan design. Everyone across the State will have the same access to HMO services. This table shows how that was accomplished. The concept was approved by our Board in June of 2016 and was built into the HMO request for proposal (RFP) that all vendors bid on. The Committee will notice that the unified plan closely resembles the old northern Nevada plan. This does not indicate a preference by PEBP to the northern plan, but a desire to open up access for those on the southern plan by removing the "gatekeeper" requirement. This naturally leads to an increase in costs. The PEBP picked a plan we felt could be adhered to by both regions.

When PEBP negotiated that preferred plan design, there was a significant increase in rates. We felt this might negatively affect some of our participants. To mitigate this increase, we elected to use an option PEBP had built into the RFP for the HMO vendors to provide an alternate plan. When we built that option, we anticipated the alternate as a "buy-up" plan for participants who wanted to spend more for more benefits. After seeing the projected rates, PEBP realized what was actually needed was a "buy-down" plan for those who wanted a HMO product but could not afford the ever-increasing HMO rates.

Slide 22 of [Exhibit C](#) shows the alternate plan design created by PEBP in coordination with the two vendors selected. The Committee will notice there are incentives to use this alternate plan concerning copays for PCP and specialist visits, and disincentives concerning emergency room and hospital in-patient services copays. In addition, the pharmacy benefits do have some increased costs as well. These are the areas where our vendors are seeing their increases, which parallel the areas where PEBP has seen them as well. Unfortunately, to save costs, this alternate plan design is a closed-access model. I want to stress that this is not an either-or proposition for the State as a whole; it is a choice to be made on an individual level across the State.

This plan will not be available in every county. In order to control costs, the vendors had to utilize the providers that they owned. Although these two vendors own a sizable amount of providers in southern Nevada, there is no one who owns providers across the rest of the State. Hometown Health was able to utilize their parent company, Renown, to leverage certain PCPs to reduce costs to participants. This is the concession that had to happen to ensure mitigation in rate increases across the State. To give the Committee an idea of the rate increases that PEBP faced, they were around 5 percent up north and 17 percent down south. This leads to an average of 8 percent or 9 percent increase statewide. This is a sizable increase to the average participant in our plan. This alternate is anticipated to only be a 1 percent to 3 percent increase. It is a choice for people to make for a less costly plan.

This alternate plan design was approved in January 2017, and that contract is on the agenda for the Board of Examiners Meeting scheduled for February 14, 2017.

Slide 23 of [Exhibit C](#) shows PEBP's priorities and performance-based budget. The Committee should note that our numbers are relatively similar. The PEBP wants to maintain a low expense ratio. Our claims loss ratio is over 100 percent, which means PEBP is still trying to expend its reserves. We want to spend more on claims than we take in revenue. We anticipate reducing the reserves even further, hopefully removing the need to use enhanced reserves to reduce PEBP's claims-loss ratio in FY 2018-2019.

As for generic drug, medical network and dental network utilization, these contractual discounts benefit the program and its participants. The more they use these benefits, the lower the costs are, both to them and to the plan. The

PEBP wants to keep a low appeals ratio, and we want people to participate in diabetes care, obesity care and dental care management. We want them to receive a preventive office visit.

I want to talk more about the enhanced HSA/HRA funding the PEBP will provide to the CDHP. I wanted to tie this to a preventive benefit. This preventive care is simple and effective, with four elements we want people to do over the course of the year. The first is to go to the doctor for an annual preventive exam. The second is to be sure to take all preventative and maintenance medications you may require. The third is to go the dentist at least once, and the fourth is to get your teeth cleaned while you are there. Four simple activities that PEBP hopes will help participants plan for the future.

ASSEMBLYWOMAN CARLTON:

My concern is that you are asking participants to do these preventive activities on a high-deductible health care plan. Will these activities be paid out of their deductibles?

MR. HAYCOCK:

No. These benefits are approved through the Affordable Care Act (ACA) and are 100 percent paid for by the plan.

ASSEMBLYWOMAN CARLTON:

Including the dental exam?

MR. HAYCOCK:

Yes. When you get your teeth cleaned, they will often perform bitewing x-rays, the dentist will look at your teeth and check your gums. That is the annual exam; they often just fail to call it that. When you receive those services, the dentist's office will send over a claim to the third-party administrator. When the administrator receives that claim, that is when they contact PEBP to request the money for the participant, and that is what we do.

ASSEMBLYWOMAN CARLTON:

In essence, it is a premium benefit. It is just on the other side, because the participants are getting \$200 for doing it?

MR. HAYCOCK:

I want to avoid being caught in semantics. A premium is something that participants have to pay every month. The HSA funding is not that. They are not quite the same. It is an incentivized process. The PEBP looked at this based on questions and actions brought forth by the Board, by our participants and by legislators from other committees. All wanted to know how we were going to increase access to preventive care.

ASSEMBLYWOMAN CARLTON:

Do you have a projection of what you think this may cost?

MR. HAYCOCK:

No.

ASSEMBLYWOMAN CARLTON:

My concern is that we are offering one benefit to one group and not the other. It is taking money out of the whole to incentivize one group. You may say this is not a wellness program, but I see it as similar. I am going to ask the relevant subcommittee to ask many questions on this. I am concerned that we are providing a cash incentive for one group to do something we really want everyone to do, while potentially penalizing other groups.

MR. HAYCOCK:

Slides 24 and 25 of [Exhibit C](#) deal with other post-employment benefits (OPEB) liability and our Government Accounting Standards Board (GASB) valuation. The OPEB is a liability to the State of the cost to provide subsidized health insurance to retirees. The Committee will see OPEB liability mentioned again when the Public Employees Retirement System (PERS) comes to testify about their liabilities. It is actuarially calculated based on current plan design and certain other components. Demographics on life expectancy, number of employees and retirees eligible, the amount of benefits already earned and estimated medical trends associated with medical plans in the future all factor in.

There is also the current eligibility for cash subsidy. There was a requirement for five years of service with the Nevada public system. After January 1 of 2010, this requirement was increased to 15 years. The subsidy was eliminated for employees hired after January 1 of 2012. This has been a major factor in our OPEB and GASB valuation. It has been able to go down because every year the State hires new people who, if they retire through our system, will not receive

this subsidy. The GASB requires the recognition of cost when it is incurred, not paid. This is the net-present value of a long-term liability.

The valuation is what PEBP thinks it will cost to maintain these types of benefits years into the future. Our last GASB OPEB liability valuation was done on July 1, 2015, for FY 2015-2016. At that time, the present value of benefits was determined at \$2.1 billion. The actuarial accrued liability was determined at \$1.4 billion. This is a snapshot of the liability for benefits earned as of July 1, 2015. The annual required contribution was determined to be \$142.7 million. This is the cost of benefits earned in FY 2015-2016 plus a 30-year amortization on previous unfunded liabilities. This is a "pay-as-you-go" type of subsidy payment of about \$63.1 million of which the State paid \$35.9 million, or around 57 percent.

I know GASB and the OPEB liability can be confusing; we try to keep it simple. The key takeaway here is that because of the decisions made to not subsidize retirees for employees hired after 2012, we are heading towards a time where eventually this liability will be either minimal or nonexistent.

SENATOR KIECKHEFER:

How many local governments participate in PEBP?

MR. HAYCOCK:

Nine improvement districts are members. I believe there are five up north and four down south. We do not have any counties, cities or school districts that would help offset the costs of the non-State employees.

SENATOR KIECKHEFER:

So the vast majority of active employees are State employees?

MR. HAYCOCK:

Yes. All but nine people are.

ASSEMBLYMAN OSCARSON:

I had some questions about Slide 23 of [Exhibit C](#). You referenced the appeals ratio per 1,000 claims. Are those referring to denials or total appeals?

MR. HAYCOCK:

Total appeals.

ASSEMBLYMAN OSCARSON:

Have you identified what percentage of your population is diabetic?

MR. HAYCOCK:

About 1,700 on the CDHP are diabetic; that is out of about 21,000 total on the CDHP.

ASSEMBLYMAN OSCARSON:

I would like to know that percentage for your total population.

MR. HAYCOCK:

We can get that information to the Committee.

ASSEMBLYMAN EDWARDS:

I have a question about PEBP's reserves. You seem to want to expend these reserves by providing enhancements. If you are trying to reduce your reserves, is there any reason why you could not just do a direct rebate or reduce premiums? That would benefit the people more directly.

MR. HAYCOCK:

We have used excess reserves in the past not only to enhance benefits, but also to buy down the rate. The PEBP does this to mitigate cost increases. It has been used for that process. We have provided those savings back in the form of increased contributions.

The problem is figuring out which group is paying and which is getting the benefit. If I pay a rate that is too high, and then switch plans, how does PEBP figure out who gets that rebate?

The reserves that we have built over the years are mostly because of the people on the CDHP. When people join the HMO plan, they pay a premium that is sent to the HMOs. PEBP collects money from both them and their employer. Those HMOs do not rebate us any money. If they end with a high profit for the year, they get to keep it, up to a point as determined by the ACA. The CDHP is where those reserves were collected. The PEBP is providing that back to participants through enhanced benefits. I mean all participants, even those who may not have paid into the reserves. We have enhanced life insurance for everybody. Participants on the HMO plans did not contribute to our reserves, but they

receive the same enhanced benefits that all receive. The PEBP is trying to share the wealth.

ASSEMBLYMAN EDWARDS:

Let me rephrase my question. If you know how much you would want to reduce reserves by, why can you not simply divide that by number of participants and rebate them directly? That seems simpler. Why is that not a viable option?

MR. HAYCOCK:

I am not saying that it is not. However, what would providing that rebate really accomplish if we are cutting benefits? The PEBP's direction currently is to try to keep as many advanced benefits as possible. We could provide incentives such as a "premium holiday", and have done so in the past. Nevertheless, I am under direction to save as many benefits as possible, because people rely on that care.

ASSEMBLYMAN EDWARDS:

I would like to discuss this with you further.

ASSEMBLYWOMAN TITUS:

On Slide 11 of [Exhibit C](#) you had mentioned that previously there were different plans for northern and southern Nevada. You are reconciling the differences so that there will be only one plan moving forward? This would remove the PCP referral requirement?

MR. HAYCOCK:

Yes. The last column on the right on the table on Slide 21 of [Exhibit C](#) shows the unified plan. There is no longer a referral requirement for anyone.

ASSEMBLYWOMAN TITUS:

That is good to hear. I am a PCP in a region that has the requirement now, and I am inundated with people seeking referrals. That requirement was meant to try to keep costs down, but it seemed like it increased costs dramatically. I appreciate the PEBP's efforts to remove that requirement and reconcile the plans.

SENATOR KIECKHEFER:

The plan is designed for FY 2017-2018? The Board will return to the Legislature to present the plan design for FY 2018-2019 in March I believe.

MR. HAYCOCK:

It is a multi-step process. The PEBP initially presents to the Board suggestions and recommendations for plan design around September, usually. In November, the Board will approve a design. In January, we present trend and the Board approves any design changes. Then in March, the Board approves the rates, which is the final point for the Board to select a plan design. If they get sticker shock from the rates we present, we will have additional discussions on how to proceed. Traditionally, this does not occur because we hew to similar plan designs.

SENATOR KIECKHEFER:

That excess reserve amount you presented earlier, that figure of \$13 million or so, that is what the Board has decided to use for enhanced benefits. Will there be enough excess reserves to continue to provide those benefits for FY 2018-2019?

MR. HAYCOCK:

After some aggressive reallocation of other reserves, we believe that funding will be available in the second fiscal year of the biennium as well. The difficulty of the decision the Board made was how to avoid spending that whole pot of money in the first year.

SENATOR KIECKHEFER:

The plan is to roll down excess reserves at the end of the biennium? We would have to have a very hard discussion going into the next biennium about rates and benefits.

MR. HAYCOCK:

I would like to say yes. However, the truth is we are going spend the next biennium doing everything we can to find ways to save costs and increase access. If we can continue to provide enhanced benefits through excess reserves, I am unsure if that is a bad thing. We want to provide consistency; we are not going to use this funding and sit on our laurels for two years. The plan today is for those reserves to be fully expended by the end of the biennium. That being said, we will do whatever we can to save as many benefits as possible.

ASSEMBLYWOMAN SPIEGEL:

On Slide 17 of [Exhibit C](#), when you were talking about HMO premiums, you mentioned a 17 percent increase in premiums. What is causing that increase? That seemed inconsistent with the other increases.

MR. HAYCOCK:

The increase was especially high down south. This is a direct reflection of the migration away from these health plans. As premium costs increase, the pool of participants reduces. Healthier people move away from these plans. The more unhealthy participants in the pool, the higher the risk. So providers' risk is increasing, as are costs. When we tried to blend the two plans in 2013, premiums increased and that migration began. It is a never-ending cycle. People leave because rates are too high; rates increase because the pool is not big enough.

ASSEMBLYWOMAN CARLTON:

Many employees will look for the cheapest per-month option. The CDHP seems like the best option for them. I want to give disclosure; I am married to, and the mother of, a State employee. I understand the designs of both the CDHP and the HMO, as I have had to navigate both.

My concern is about the claims ratio. I do not believe we have hit the mark yet. We have missed this mark almost every single time. We have overestimated inflation consistently and people have paid more than necessary. This is what generated those excess reserves.

When I see that inflation ratio is similar to what it has been in the past, I am concerned we are going to repeat that mistake. Could you go over the inflation ratio? I want a better level of comfort with that.

MR. HAYCOCK:

We received a trend presentation at our January 2017 Board meeting. If you look at the last three years, we had an overall trend increase of 2.2 percent in 2014, 10.9 percent in 2015 and a decrease of 1.5 percent in 2016. Therefore, it is volatile. The PEBP tries to shield participants from that volatility by keeping rates consistent. The three-year average for our plan is 3.7 percent overall. That includes medical, dental and prescription claims. We are trending towards a 3.5 percent inflation rate.

ASSEMBLYWOMAN CARLTON:

What caused that 10.9 percent increase in 2015?

MR. HAYCOCK:

It was an increase in pharmacy claims. It was when a drug was released to treat hepatitis C that costs health plans around \$60,000 to \$100,000 per person. We had a group of participants who received this medication. We anticipated the same for 2016, but it did not materialize. That is why there was a decrease that year.

ASSEMBLYWOMAN CARLTON:

I want to clarify for the Committee that the aforementioned premium holiday in 2015 was on the State's side. The employees still paid the full amount. The one thing I did not see in these charts was the maximum out-of-pocket costs. This is a very important figure to families. Individuals must come up with the first \$1,600 or so out-of-pocket. Families must provide the first \$3,000. Then the 80 percent/20 percent coinsurance kicks in. What is the out-of-pocket maximum for this plan design? Because when you encounter a catastrophic incident, that is the figure that makes the most difference.

MR. HAYCOCK:

I will make sure that information is included in our presentations moving forward. That figure has not changed; it is set at \$3,900 for individuals and \$7,800 for families. The HSAs can help alleviate those costs despite high deductibles. Today, you can get \$1,100 as an individual for a \$1,500 deductible. This is essentially a \$400 deductible. It is an artificially low-deductible plan if you utilize the contribution levels. A family of four with a \$3,000 deductible receives \$2,000 on July 1. Even with that said, these events can affect your budget. I do not want anyone to look at the pieces of this design in a vacuum; we provide first-dollar coverage to help alleviate those high deductibles.

ASSEMBLYWOMAN CARLTON:

To confirm, the out-of-pocket maximum would be \$3,900 for individuals and \$7,800 for families? That first dollar comes out of the HSA? They can use that money for that deductible? Is it first- or last-dollar coverage?

MR. HAYCOCK:

Yes. They will have to pay the 20 percent coinsurance after meeting that deductible up to that out-of-pocket maximum. They will not have to pay anything for health care received after that point.

ASSEMBLYWOMAN CARLTON:

I also want to ask about the rollover proposition you have. The family member I helped navigate this system would have had a very tough time without those rollover funds. Why is the amount allowed to rollover capped? Eventually, someone might need that, especially in a family with a \$7,800 maximum. I would hate to see them lose that money and those benefits. It seems like the antithesis of an HMO plan where I pay an amount every month whether I need it or not. I should be able to get that benefit when I need it.

MR. HAYCOCK:

The rollover proposition we have is capped at \$5,000 per participant. This does not apply to HSAs. The HSA is your money. The HRA is a balance that is provided to you by the plan, and when you leave the plan, you sacrifice those funds. We looked at the cash we have on hand to maintain reserves, not counting excess reserves. What are we keeping for catastrophic levels of required care? What about claims that come in a year late that we are still responsible for? What are we keeping for our HRA reserves?

Generally, we were keeping almost all of the balances in cash and carrying it forward year after year. People were not using all of their HRA funds; at best, they were using between 60 percent to 75 percent depending on the year. We wanted to put a cap in place because many people are not using those funds, but we still have to carry that liability forward. When we do that, those funds cannot be used for other health care. It pains me to ask people to pay more for less while I am maintaining a cash balance of money that people simply are not using. It was a recommendation made to our Board, which approved it, because we have limited resources. It was a matter of priorities.

ASSEMBLYWOMAN CARLTON:

I really want the subcommittees to dig into this. I would hate to be in an Interim Retirement Benefits Committee or a Legislative Commission meeting and find out we have a person coming forward whose budget has been stressed because of this cap. In a catastrophic event, which nobody plans for, those families need to be protected.

ASSEMBLYWOMAN DIAZ:

Why was the continuing education requirement removed? It did not seem like a high cost. I believe continuing education is never bad, especially when people are handling employees' money and benefits.

MR. HAYCOCK:

It was a budgetary response to S.B. 80. The PEBP did not put that bill forth. The PEBP is merely pulling the funding out of the budget in response to the language of S.B. 80. My understanding is that no other board across the State has this continuing education requirement. This is a matter of consistency. A recent external audit of PEBP had shown that some of our Board members had not taken their continuing education. I am not saying we should take it away because they are not doing it; I just wanted to note that it was not necessarily being done.

ASSEMBLYWOMAN DIAZ:

How much is being deducted from employees' paychecks for their health care? How much does it cost on a monthly basis? I know that the figure is significant for my family's budget.

MR. HAYCOCK:

Today, on the CDHP and the HMOs, it ranges based on your participant tier and what plan you are on. It can range from \$42 to over \$600 for a family. There are a lot of determining factors and scenarios so it is a large range. It can change depending on your years of service, if you are an active employee or retiree, if you are a surviving spouse or dependent, there are so many factors. I could have taken the entire presentation attempting to quantify that. The reason we have not shared that data for the 2017-2019 biennium is that we are still in the process of finalizing. We do not want to give the Committee incorrect information and change it later on. Traditionally, we will bring the Legislature a budget amendment that has those rates in there.

ASSEMBLYWOMAN CARLTON:

One issue that has come up repeatedly is these so-called "orphan" retirees, or non-State non-Medicare retirees. These retirees are living in limbo. Could you give the Committee a history on these retirees? It is something that needs to be dealt with, and those who are not on the assigned subcommittee will not get as in-depth as those who are. It is important for both full committees to hear how this affects our retirees.

MR. HAYCOCK:

The non-State retiree issue is primarily one of affordability right now; not one of access to health care. The NRS 287.043 mandates that PEBP split the State and non-State risk pools. Back when there were more employees, it made more sense to have these two pools because the costs would be split by those pool members, not retirees at large.

However, when the door for these non-State entities to put employees on PEBP was shut in 2008, there was a group of people who were not yet retired. These people wanted to make sure they had subsidized health care through their employers. Over time, those employers started leaving PEBP for less expensive health insurance. Rates go down when you can carve that group out. What was left behind was a group of non-State retirees who are aging, which means they become more costly to insure.

This group has to live on its own. Every year, as they age into Medicare, the pool reduces. There are no new enrollees to offset that. It is a high-risk group; in 2016, this group cost the plan about \$10.8 million just for medical claims. That figure does not include pharmacy benefits. There are only 1,800 of these people. Their cost went up about 25 percent over the year before. Who pays for them? As far as PEBP is concerned, we are going to offer them the same access, regardless of their status. We are not segregating the "orphan" group.

Unfortunately, the overall costs of the premiums are predicated by the claims associated with them. Right now, PEBP must charge them the same amount for employer contributions based on their tier. We treat non-State and State employees the same by design. The difficult part is that State employees can offset the costs of State retirees.

As I told Senator Kieckhefer, there are nine non-State employees trying to offset the costs of approximately 1,800 non-State retirees. As that pool reduces the issues compound. Options have been presented in the past. Does PEBP comingle the groups together and eliminate that statutory requirement? The drawbacks here are although PEBP can significantly lower the cost per month for non-State employees, those corresponding costs for State employees increase, and not by a minor amount. Using rough math, if you take that \$10.8 million in medical costs and add the 1,800 non-State retirees to the State pool, PEBP is looking at an increase of \$30 a head per month.

Are we going to ask a State employee hired after 2012, who will *never* receive a subsidy for their retirement, to offset the costs of a retiree who never put money into the system as an employee? That is a tough question to answer.

Another option is creating an appropriation from the State that pays for the "orphan" retirees. The question then becomes are we providing a benefit to non-State retirees that is unequal to what we provide State retirees? These State employees gave their service, they worked hard for the various State entities, but we are offsetting the costs of one group and not this one. That is a tough question, and it is one the Legislature must answer.

A different option is to send these retirees back. By statute, the "orphans" are allowed to go back to their former employers on even-numbered years. The problem here is that some of those employers have set up trusts or some other form of health care that preclude them from taking these "orphan" retirees back. I think that if I can go out and procure a HMO plan in under a year on my own, how come these employers cannot?

We have also looked at putting these retirees on the ACA individual exchange, but that does not work for everyone. Remember that everyone who leaves the pool compounds the issue as well. We have considered helping people pay their Medicare Part A premiums so they can move on to the Medicare Exchange. This only affects retirees 65 years old or more. Some of these non-State retirees are in their forties. They still have 20 years before they are eligible for this option.

What happens if we just move the people who are over 65? If you look at our projections for the next year for non-State retirees, we believe we will have around 1,200 people. Therefore, we would remove half the pool, leaving the other half to absorb the costs. There is no good answer that addresses everyone's problems. We can help individuals, but everyone that leaves our plan makes it more costly for those that remain.

ASSEMBLYWOMAN CARLTON:

Insurance is a pool, and when you take water out of the pool, it gets smaller and smaller. The last one in is the one who has to do all the bailing out. This is an issue we have to address. There are people that will never get Medicare. It is an issue that has gotten worse these last few biennia. I hope we can figure a way to address this. What happens to these retirees, these seniors, can affect their whole family. Health care is very important; the last thing we want to

incentivize is someone foregoing coverage altogether because they cannot afford it. We have worked very hard to lower rates to try to incentivize coverage.

ASSEMBLYMAN SPRINKLE:

My understanding is that this group can no longer go back to their employers. Long before I was even a legislator, this State made a promise to them and allowed them into the system. Is there currently a plan from PEBP to deal with this issue? Is it up to the Legislature and perhaps the local jurisdictions?

MR. HAYCOCK:

We have an overall plan to take care of all participants, regardless of their status. My understanding of the bill that allowed these non-State employees to join our plan was that we would provide them with the same access to care that State people were getting. I think the language in the bill was very specific in that the cost pools had to be separate. I want to make sure it is clear that the promises we provided are for equal coverage, not necessarily equal costs.

We are trying to manage the program better. We are trying to reduce costs. We have accomplished significant cost savings that affect everyone. If you reduce the cost of the program at large, you are reducing the costs to all the participants as well. We are trying to manage this program so that everyone, all of those groups, gets better access to health care at the best price possible. As of right now, we do not have a statutory solution for us to handle the non-State pool problem. No matter what we present, we are going to harm one group for another's benefit.

I want to give an example. In everyone's paycheck, a line item is your payment for Medicare. Imagine the federal government says that everyone who has paid for Medicare needs to continue to do so, but if you are not on Medicare right now, you will never get it. Imagine the outcry from that. When we talk about combining the pool, that is what we are asking those employees hired after 2012 to do. I do not have a good solution, because I am not sure if one exists.

Unless I am mistaken, those people cannot go back to their counties. If they could, those counties could procure a health plan. In fact, those local jurisdictions can forego the procurement process. They can simply go out and buy insurance. The only thing stopping these counties from procuring health insurance for these retirees is the counties themselves. I am not saying we need

to farm these retirees out and self-fulfill that "orphan" moniker, but there are solutions.

As far as PEBP is concerned, we are going to take the employer contribution and the retiree contribution and we are going to offset the costs of this plan. The PEBP does not make a profit. We run very lean, and will continue to do so. Regardless of what happens to these non-State retirees, we will continue to provide them the best health care we can.

ASSEMBLYMAN SPRINKLE:

Thank you for your honesty. It seems this issue rests on the shoulders of the Legislature. I hope PEBP will actively work with us to come up with a good solution.

CHAIR WOODHOUSE:

That will conclude the hearing on PEBP. The Committee will now hear the presentation of the Department of Public Safety.

JAMES WRIGHT (Director, Nevada Department of Public Safety):

Slide 2 of our presentation ([Exhibit D](#)) details the Nevada Department of Public Safety's (DPS) mission and vision statement as well as our motto.

Slide 3 of [Exhibit D](#) is an organizational chart showing DPS' management team. This reflects our eight divisions and three offices, as well as the proposed Office of Cyber Defense (OCD). The DPS maintains a multidisciplinary, experienced, stable and unified management team that is capable of handling or supporting any emergency or disaster, like the recent wildfires and flooding we have experienced. This also includes events like the industrial fire at the U.S. Ecology site in Beatty last year and the bombing event in Panaca. I could not be more proud of my organization for their handling of those last two incidents.

Slide 4 of [Exhibit D](#) is a brief overview of the DPS' major activities in support of safe and livable communities as part of the Governor's strategic framework for Nevada.

Slide 5 of [Exhibit D](#) shows our major Department goals. We want to improve highway safety, increase the number of cadets who successfully complete basic academy and promote fire and hazardous materials safety awareness, among other items.

Slides 6 through 9 of [Exhibit D](#) detail DPS' major achievements. We have established an Intrastate Mutual Aid System through our Division of Emergency Management – Homeland Security. We modernized the Division of Parole and Probation's (P&P) Offender Tracking System (NOTIS). The P&P Division has also implemented mobile reporting. We are taking our reporting services out to the community, which helps offenders with transportation issues. Our Department's Investigation Division is engaged with the Nevada State Board of Pharmacy in dealing with the State's opioid problem.

Slides 10 and 11 of [Exhibit D](#) cover recruitment. The Committee has asked questions in the past about this area. We have often shared our difficulties with recruitment and retention of officers. We took a hard look at how we handle these issues and have implemented new recruiting software. It helps the applicants and us. We had found the Nevada Employee Action and Timekeeping System to be cumbersome, especially in regards to the keeping of data on cadets that we are required to provide the U.S. Department of Justice. The new software has helped simplify and speed up that process.

The DPS has also published a recruitment video. It is posted on our Website. It is designed to show who we are and generate interest in working for our Department. We also take veterans' recruitment very seriously. We want them to be interested in careers with us. It takes approximately 1,000 candidates to fill an academy. You may think that is a lot, but it is standard within other agencies. Many of these agencies are having recruitment and retention problems these days.

We have reduced our transition time in filling academies by streamlining our processes. It takes around 90 to 120 days instead of the 16 to 18 months we were taking a few years ago.

We have a new background software package. This helps candidates complete the thorough background check we do swiftly. It helps with the process, the filling out of forms and those other tasks we require of potential employees. We want to move more of that to the electronic format.

I have mentioned critical fill before. Last year, I went before the Board of Examiners to request approval to establish critical fill designations for officer positions. Due to problems filling positions and losing officers, we have had about 20 dedicated retired individuals willing to return and help us in our time of

need. They do great work for us and help us fill gaps in our Department. As we fill those positions, those individuals will return to retirement.

The DPS is doing everything we can to get ourselves out there, including career fairs. We participated in 40 recruitment events over the last year, compared to 26 the previous year.

The first enhancement unit I want to discuss is shown on Slide 12 of [Exhibit D](#). Decision unit E-240 of B/A 101-3775 would reestablish the Southern Nevada Officer Training Academy.

PUBLIC SAFETY

PUBLIC SAFETY

DPS – Training Division — Budget Page Public Safety-25 (Volume III)
Budget Account 101-3775

E-240 Efficient and Responsive State Government — Page Public Safety-28

The last time DPS had an academy in southern Nevada was 2005. Due to budget cuts during tough times, it was closed. Last year, we ran an academy in southern Nevada. I am proud to say that in December 2016, we graduated 26 cadets from that Academy. It was very successful. We are utilizing an agreement with the National Guard to use their readiness center. We were provided classrooms and facilities that we used for gymnasiums and other purposes. The staff we put together for that Academy did a tremendous job.

I am also pleased to inform the Committee that Academy Class 76 began yesterday, right here in Carson City. There are 29 new cadets going through the 16-week academy. We plan to have another southern Academy class starting in March.

We found that we were missing many qualified candidates out of the Las Vegas area through our recruiting. We were missing them because these individuals could not relocate to Carson City for 16 weeks. Having a southern Academy was very successful in recruiting those people. Trainees were able to stay close to home. This is why we want to reestablish that southern Academy. By doing so, DPS will have the opportunity to conduct four academy classes a year; two

apiece in northern and southern Nevada. It will help us fill those vacant positions faster.

Currently, DPS has about 100 vacancies that need officers to fill. We work very hard on retention and offer diversified career opportunities in multidisciplinary services. We have locations across the State and favorable work environments. We have a total force organization, which is worth mentioning because the civilian members of our Department are as much a part as the sworn officers. I see every individual in DPS having a direct or supporting role in our mission for public safety.

The pride and dedication our Department has is part of our employee engagement. I want to bring the Committee's attention to the uniform change I authorized. We needed a morale boost, and it had been brought to DPS' attention in community meetings that the old uniforms were confusing to constituents. Especially in metropolitan areas, having all our various divisions wear navy blue uniforms was confusing. It makes telling who is who more difficult.

We felt the uniform change would address that issue and help entice people to come work for DPS. We wanted our employees to have a distinctive look that they can be proud of. We have examples of the new look here in the audience today. I have provided a two-year implementation plan for these new uniforms to be as fiscally responsible in doing this as possible. We will phase out the old uniform over that two-year period. The reaction to the new uniforms from both employees and the public has been positive. It has a more traditional State law enforcement look that is consistent with what is seen across the United States.

I would like to now address some of our enhancement units that deal with reducing recidivism. We all know this is an important issue, and DPS is always working to do a better job in this area. I am proud of the collaboration we do with the Nevada Department of Corrections (NDOC) in this area. It is an issue that both of our departments have to deal with.

Slide 14 of [Exhibit D](#) details one item that will affect this area. Decision unit E-350 of B/A 101-3740 would establish a Day Reporting Center (DRC).

E-350 Safe and Livable Communities — Page Public Safety-77

This will be a nonresidential facility that provides high-risk offenders with varying forms of rehabilitative services as an alternative to incarceration. We looked at a model in California that was brought to us by a vendor we utilize for in-house arrest contracts. We looked at that model and suggest that the DRC be run on a contract service-provided model. This will help us stand the DRC up fast. The provider has expertise in this model and would run in conjunction with, and under the supervision of, our P&P office.

The DPS is excited about this opportunity. We had to look at this differently than before and utilize national standards, evidence-based studies and best practices. Our goal contains a three-pronged approach to reduce recidivism. The first prong would be the DRC. This is a center that offenders are required to report to and receive services related to plan development, job search assistance, counseling, substance abuse prevention, anger management, parenting skills and domestic violence reduction. If done properly, evidence shows the DRC can reduce recidivism.

Prong 2 is a community supervision training program called the Effective Practices in Community Supervision (EPICS). The EPICS training helps officers build better relationships between offenders and themselves. Unfortunately, we have had a situation for years in which that relationship is perceived as officers against offenders. With the caseloads that our officers had, there was not as much ability to provide specific care to offenders who need guidance to get them on track for successful reentry into the community.

By allowing for EPICS training, we can give our officers access to enhanced interview techniques that will allow them to better serve and interact with individuals. An EPICS training brings the focus to the social aspect of these interactions. To make EPICS work, the DPS must address the caseload of our workers. The days of hundreds-to-one case-to-worker ratios must be dealt with in order to be successful. One of my major worries is the amount of cases officers must deal with, and the thought of even just one who may not have been seen or interacted with that goes on to do something heinous. To avoid those situations, we must deal with the caseloads our workers face.

That has been a concern of the Legislature in the past. These issues are closely tied to DPS staffing levels. As we deal with our staffing levels, I believe we will be better equipped to handle these caseloads.

The final prong is the use of the Ohio Risk Assessment System (ORAS). This is a risk assessment tool that incorporates principles of effective intervention, risk, needs and responsivity. The DPS has been using a model based out of Wisconsin and is 20 years old. We have been challenged on our risk-assessment tools. In December 2016, there was a language change proposed to our Nevada Administrative Codes to allow DPS to look for other tools, better tools. Once we bring it on as the Nevada Risk Assessment System, it will be a better predictor of recidivism.

Slide 17 of [Exhibit D](#) details our efforts to enhance operational efficiencies with reentry. I would like to mention that Director James Dzurenda of the Nevada Department of Corrections and myself co-chair a reentry task force that the Governor established through executive order. Through that task force, we consider everything we can do to improve reentry services for inmates coming back into communities.

Enhancement unit E-353 is for reentry and parole planning.

E-353 Safe and Livable Communities — Page Public Safety-78

We have found difficulties in getting those individuals who have received parole out into the community. They are held up at the end of the process. The Committee may be familiar with release plans. Due to cuts made years ago, P&P no longer has staff in the institutions that would help inmates develop these release plans. Those services were lost; NDOC tried to fill that gap with caseworkers.

The DPS feels that, by embedding positions back in the institutions, they can help improve plan development and processing. There are several steps to do so. Inmates have to develop a viable plan that must be approved. That plan deals with questions such as: what does the inmate plan to do for employment upon release? Where does the inmate plan to stay?

Many inmates have plans that are so poorly done that they may plan to return to residing with their victims. That is not going to happen. Another example is

inmates listing addresses of empty lots as their residence upon return to society. Embedding specialists in the facilities these inmates reside in allows them to aid in one-on-one release plan processing. It lets these specialists do the validations and investigations faster. The DPS is excited about the opportunity this enhancement unit would offer if approved.

Another enhancement unit in this area is E-354 for State-funded residential confinement.

E-354 Safe and Livable Communities — Page Public Safety-79

This builds release plans that are inclusive of residential confinement for individuals who do not have a viable place of their own to go to upon release.

Enhancement unit E-356 administers transitional housing funds. This used to be known as the indigent fund. This is a transfer of some funds from NDOC to P&P. It helps DPS provide housing. Finding housing is one of the biggest hurdles we face in bringing people out of the institutions. There are not a lot of people who want reentering inmates in their communities. The DPS must do a better job in finding anchor points in the communities for these inmates.

E-356 Safe and Livable Communities — Page Public Safety-80

There is also enhancement unit E-355, adding seven DPS officers and a sergeant to supervise and monitor a projected 450 additional parolees in the communities. This is vital to keep up with the caseload and to make sure DPS has adequate supervision levels.

E-355 Safe and Livable Communities — Page Public Safety-79

Our staff had questioned P&P caseload adjustments. Part of our projections included a recommendation to eliminate 12 positions due to caseload reductions. However, DPS is requesting those positions be reinstated to allow DPS to effectively deal with the caseload level discussed earlier. These positions will also aid in making those three prongs of EPICS, ORAS and the DRC discussed earlier, successful. I do not want to bring these enhancements online and not have the staff to be able to successfully implement them.

Maintenance unit M-201 adds two specialists to the post-conviction investigations staff. There has been an increase in requests for these investigations, and the additional staff would assist in handling that caseload.

M-201 Demographics/Caseload Changes — Page Public Safety-74

There is also M-202, a request to increase staffing at the headquarters of the Fugitive Apprehension Unit. This decision unit will add one specialist.

M-202 Demographics/Caseload Changes — Page Public Safety-75

Decision unit M-203 funds one specialist position in Southern Command to aid in the caseload of the Interstate Compact Unit.

M-203 Demographics/Caseload Changes — Page Public Safety-75

An increase in projected caseload for court services is addressed by M-204. The DPS is seeking additional supervisors, specialists and administrative assistants to handle the increase in caseload projected. Last year, we conducted a staffing study on how many Presentence Investigation Reports (PSI) a writer can conduct. That study showed that figure at a lower level than the 16 to 18 PSIs a month per writer we had used prior. The study showed that writers should be able to perform 12 PSIs a month.

M-204 Demographics/Caseload Changes — Page Public Safety-76

Slide 20 of [Exhibit D](#) discusses the Nevada Criminal Justice Information System (NCJIS). This is a vital system to all of Nevada's criminal justice agencies, not just DPS. Courts, districts attorneys and local law enforcement all have access to NCJIS. The Records Bureau and DPS' General Services division operate NCJIS. The Legislature over the last two Sessions has been very helpful, attaching one-shot appropriations to help modernize NCJIS. The NCJIS is 20 years old, starting to deteriorate, not supported in many functions and had security vulnerabilities.

My concern with these issues is having an officer who is west of Tonopah, having someone pulled over and being unable to identify who they are. The NCJIS is instrumental for identification, and the modernization is necessary.

We wanted to present the Committee the progress of this modernization. Slide 22 of [Exhibit D](#) details Phase III of the modernization effort. Phase III, taking place over the 2017-2019 biennium, will be funded out of DPS reserves with the Legislature's approval. The processes within Phase III are vital. They improve some base functions of NCJIS. It brings NCJIS in line with 21st century applications. There is a fourth phase, which we will probably discuss next Session. There should also be continuing updates to avoid ending up with an aged system as before.

Slide 23 of [Exhibit D](#) details DPS plans for the establishment of the OCD. The DPS, as well as the Division of Enterprise Information Technology Services (EITS) and the Office of the Governor, participated in the National Governors Association policy group that dealt with states' response to cyber threats.

Several ideas came from this, and we know this is an issue that must be dealt with. Every day, this gets more and more serious as attacks increase in number and severity. The new battleground is a cyber one. We need to be able to manage and monitor statewide real-time cyber information. We need to establish true situational awareness of the cyber threat environment in Nevada.

The Committee may ask what DPS has to do with this topic. We examined this in conjunction with EITS. The DPS wants to stress that we are not taking anything over from EITS. They are still responsible for the State government IT system. Our vision for the OCD is more global. We want the OCD to be the point that local agencies and private industries can come to for assistance and guidance on cyber security.

With EITS as DPS' IT provider, we are already in collaboration with them. The DPS involvement is important as DPS has the resources to best deal with cyber threats and attacks. We have emergency management protocols to prepare for, respond to and assist in the recovery from cyber emergencies.

Our Investigative Division has noticed that more and more of these cyber incidents are criminal in nature. They have the ability to investigate the actors who bring these attacks forth and deal with them. The Fusion Center within the Investigative Division can analyze intelligence and distribute it to the appropriate parties. The OCD is important because of DPS' diverse resource base and our connection with our federal partners. The DPS is the link to those federal entities in case of severe cyber threats. The increasing focus on cyber issues is

new, but DPS must be serious about, and pursue, cyber security. The OCD represents a solid starting point.

I would like to see the OCD grow into a cyber center, where DPS can be even more engaged in cyber defense. The OCD will start with four employees; first, an administrator to serve as a coordinator, the focal point where entities can come to ask for assistance and information.

The administrator will have support staff, including an IT professional and a management analyst who will serve as an information analyst. That position will be embedded with our Fusion Center. The goal of cyber security is an important one, and I believe the OCD is a great start.

Slide 24 of [Exhibit D](#) shows information about the Nevada Highway Patrol's (NHP) Mobile Data Computer (MDC) upgrade project. The Legislature has been supportive in helping us get these MDCs into patrol vehicles. This project was initiated in FY 2014-2015, and this slide gives a progress report as to how that upgrade is progressing.

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The MDC is a tablet device put into patrol cars that serves several purposes. It is a way for officers to run records from their vehicles, reducing radio traffic. Officers can also use it for reports. It also serves as a ticket writer.

Slide 25 of [Exhibit D](#) is an update on NHP's body-worn camera (BWC) program. Senate Bill No. 111 of the 78th Session authorized these cameras for NHP. We have met the requirements of that bill all the way through, from the establishment of the policies, to establishing vendors and having the cameras ordered. We will be receiving the cameras in the next month or so. The DPS will be deploying the first of the BWCs to troopers in the Reno-Carson area first. We chose this region because the expert in the cameras is stationed here in Carson City. We want that expert to be nearby when the program is deployed in anticipation of any implementation problems. We will then deploy the cameras statewide.

Something that makes this program special is that we will be one of the few with an integrated body camera and in-car camera system. The majority of NHP's work is on the road and in front of our vehicles. In developing the BWC program, we saw the benefit of having both the body-worn and the in-car cameras. The in-car camera system enhances this program. This will benefit our troopers as well as the community. If any questions about what happened in a certain incident arise, we will have two separate camera feeds to examine.

Slide 26 of [Exhibit D](#) is an overview of enhancement unit E-719 to replace radios department-wide.

E-719 Equipment Replacement — Page Public Safety-52

This is similar to a large project that the Nevada Department of Transportation (NDOT) will present to the Committee later. The DPS has been working closely with NDOT to replace the State's shared radio system. We are requesting the replacement of outdated radios and dispatch consoles within our Department.

These pieces of equipment are reaching the end of their shelf life. They are failing. The Committee may ask why we are asking for new radios with a system upgrade pending. These new radios are compatible with the new system as it comes online. The radios will work with both systems. You will see similar requests across all of DPS divisions' budgets.

Slide 27 of [Exhibit D](#) details some of DPS' one-shot and supplemental appropriations. Two appropriations would replace 143 NHP vehicles and 9 motorcycles that have passed the mileage threshold. Another would fund a projected shortfall in the Office of Criminal Justice Assistance (OCJA).

There are also some funding changes as detailed on Slide 28 of [Exhibit D](#). One would be a shift in General Fund money to fees transferred from the Nevada Division of Environmental Protection and the State Emergency Response Commission. Another would be a shift in grant funds to provide for the shortfall in the OCJA mentioned previously.

Slide 29 of [Exhibit D](#) shows some organizational and position adjustments. We are asking for a reclassification of a DPS Officer II that acts as the information officer to a civilian classification. The DPS sees a need to revamp social media,

especially in regards to recruiting. A civilian information officer would be best suited for that role.

The DPS is also asking for an additional administrative services officer for the Office of Traffic Safety. Increased budget requirements mean we have to do more work for grants. We are also adding a civilian emergency management programs manager position to be the statewide interoperability coordinator.

The DPS is also suggesting closing the Elko dispatch center. It has been one of our lowest volume centers. We have three such centers; one in Carson City, one in Las Vegas and this one in Elko. We feel we can be more efficient by providing dispatch services out of two centers.

The Committee may ask if we can technically cover radio traffic from that area through the Carson City dispatch. The answer is yes. We have had to do this through staffing shortages. At times, Las Vegas will assist with Carson City radio traffic, and vice versa. There should be no issue with the proposed closure, and the transfer would be seamless.

CHAIR WOODHOUSE:

We are going to need further information on some of these initiatives as we begin subcommittees. Particularly, the reducing recidivism and the offender reentry initiative. Have you looked at where the DRC will be located? Will there be more than one DRC?

MR. WRIGHT:

We did anticipate that need. This presentation is intended to be a high-level overview. We know that individual divisions' budget presentations will be answering those questions.

As for the questions regarding DRCs, we were hoping to place one in Reno and another in Las Vegas. We will have further information about that when P&P's hearings begin.

SENATOR GOICOECHEA:

I would like to see a map of where troopers are stationed. Especially in northeastern Nevada. When we are discussing a radio system that may be operable by 2020, we have to consider the dead spots that are out there. It can be hard to have those areas covered.

The other issue I have is the closing of the Elko dispatch center. Dispatching those local sheriffs out of Carson or Elko removes the familiarity with the area. That familiarity can save a trooper's life. I want you to know to bring all the data you have because I anticipate pushing against that. I do not think it is a wise move for our troopers' safety.

MR. WRIGHT:
We will do so.

SENATOR DENIS:
On Slide 23 of [Exhibit D](#), you mentioned the OCD. Are we offering enough for the OCD? Will we be staffing it with the right people? It is one thing to just man it, but entirely another to ensure the right people are there. Are we getting knowledgeable staff with competitive compensation?

MR. WRIGHT:
Yes. These are specialists. We hope that we have targeted the correct salary range to attract people with the right kind of expertise. We would welcome input from the Committee on what kind of specialized knowledge we would need. We have talked with EITS extensively about this. We have been doing outside research as well.

The administrator has to have knowledge of these cyber issues. They also have to be an effective coordinator to be the sole point of contact. That is why we wanted to embed an IT specialist with them, to help them learn those skills they may not have.

SENATOR DENIS:
The OCD is intended to be a resource for organizations other than the State. Big companies already have resources dedicated to cyber defense. Mid-size companies may as well. Smaller businesses cannot afford it usually, and attackers are aware of this. I would like to know how you plan on advertising the OCD's services to these smaller organizations. I think that is one of the biggest opportunities of this program. We have many businesses, agencies and other organizations in the State that are smaller in nature.

ASSEMBLYWOMAN TITUS:
I share some of Senator Goicoechea's concerns about the many areas of the State where there is essentially no Internet or phone service. These areas do put

troopers at risk, not necessarily just in Elko, but also across the rural areas of the State. I encounter some of these areas on my commute across the U.S. 395 corridor.

I want to emphasize the need to push coverage into these areas. All the laptops in the world do not mean anything if they are not usable. I would like more detail on solutions as this comes before subcommittee.

I also share Senator Goicoechea's concern about closing the Elko dispatch center. I am Lyon County's health officer on the local emergency planning group. When there is no service and a true emergency, we are solely reliant on our amateur radio operators. That local familiarity is important in those circumstances. I am concerned about losing that when we move some of those dispatch services to Reno, Carson, Las Vegas or wherever. I think having local experience is key to safety and understanding. Five minutes can save lives. These are not areas that you can navigate using Google Maps. I would like to hear more details here as well.

SENATOR KIECKHEFER:

I am curious about ongoing data storage for the BWCs. Was the data provided there an estimate? Was it provided by a bidding process? Where did that figure originate?

MR. WRIGHT:

I believe that data storage capacity was tied to the vendor. I believe that data storage is handled through cloud storage, and that was part of the purchase process.

SENATOR KIECKHEFER:

Could there be a time when it would be more cost effective to store that data locally? A data center we wholly own? Cloud-based can become ineffective after a certain point.

MR. WRIGHT:

Part of the purchase we made was for unlimited data storage. We considered both options. A lot of the problems with deploying BWCs lie with data storage. Other agencies have expressed that it can be problematic and costly.

Considering retention schedules and how long we keep noneventful footage, we found the cloud-based data storage to be the most cost effective. As that program matures, we can certainly consider other options in the future.

SENATOR KIECKHEFER:

How long is that contract for?

MR. WRIGHT:

Five years.

ASSEMBLYMAN ANDERSON:

I am curious about the reasoning of putting the OCD under the DPS. We just spent years migrating DPS' IT departments to EITS. I did not see anything related to prosecution or enforcement. The OCD seems a little outside of the DPS wheelhouse.

MR. WRIGHT:

The EITS is the State's main provider of cyber security. The OCD will be a more global entity. It will serve more than just the State. It will be a point of contact for smaller businesses or jurisdictions. They can come to the OCD for guidance, plan development or other needs.

So many smaller entities do not have the expertise or the funding to adequately deal with cyber issues. We have access to the program that monitors cyber security risks. Several times, we have received information about a business or entity that has been under cyber-attack. We believe it is our responsibility to reach out to them, to ask them whether they were aware and if they have the capability to respond. We see the OCD as providing assistance outside of EITS' State system.

Through collaboration, we believe we could function as a supporting arm for EITS. There could be criminal activity that could warrant DPS bringing its resources to bear to help EITS. The OCD would be available to outside entities as well.

ASSEMBLYMAN ANDERSON:

Let us say I am a small business owner. I would not know much about cyber security, and would seek the assistance of the OCD. That is what you envision the OCD doing?

MR. WRIGHT:
Yes.

ASSEMBLYMAN ANDERSON:
What about the thousands of companies I could search out that do just that? Why would I come to a State agency and not to them? Why should the State provide that service?

MR. WRIGHT:
The State has seen this as a critical risk. Providing the guidance that we can is the best first step. We may even be overwhelmed, but we want to try our best. We want to see the OCD grow into a cyber center that we can run even more operations out of.

We must start somewhere. We hope the OCD is that starting point. It will be a point of contact for people without any other option.

ASSEMBLYMAN ANDERSON:
I may not serve on the relevant subcommittee, but I do not buy into that vision. I hope that conversation continues down the line.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:
I am grateful to hear your plans for the southern training center. I look forward to more information on that once we get into subcommittees. I have a few more questions I would like answered in subcommittee.

I am also interested in what you presented on Slide 14 of [Exhibit D](#). What defines a high-risk offender?

On Slide 17 of [Exhibit D](#), you mentioned you were co-chair of a reentry task force. Whom does that include? How do you work with the Department of Employment, Training and Rehabilitation (DETR) to get these individuals on a productive path?

My last question is in regards to Slide 22 of [Exhibit D](#). During the subcommittee hearing, I would like to know if you have metrics available on improving responsiveness for both internal staff and external customers. How do we measure success?

ASSEMBLYMAN EDWARDS:

You had mentioned four training academy classes per year. These classes average 29 candidates per academy. That equals around 116 candidates a year. There is a 100-vacancy shortfall. What is the usual dropout rate for these academies?

MR. WRIGHT:

It depends on each class. We probably have around six people who do not successfully complete academy. We target for 30 people per academy.

ASSEMBLYMAN EDWARDS:

Ideally, you would be able to fill that 100-person gap within one year? A problem I had mentioned in previous sessions is that you can lose candidates to other agencies. What kind of loss rate exists there?

MR. WRIGHT:

That is still a struggle we have. We can get you that information. We estimate that rate to be around 30 percent. We still compete with other agencies, especially the major metropolitan departments. The struggle is that local agencies pay 100 percent of the retirement contributions. With us, the employees share that cost.

That factors into candidates decisions greatly. In looking at our employees' exit interviews, the majority of officers leaving express that they do not want to leave DPS, that they like the organization and its mission, but they must leave to secure better benefits for their families. We do the best we can, but that is always an issue.

We compete with other states' agencies too. Arizona's DPS is hiring, and often from the same candidate pool as us.

ASSEMBLYMAN EDWARDS:

Slide 12 of [Exhibit D](#) indicates that the southern training academy will cost \$1.8 million. Is that figure for one year or for the biennium?

MR. WRIGHT:

It is for the biennium.

ASSEMBLYMAN EDWARDS:

That boils down to a cost of \$100,000 per cadet.

MR. WRIGHT:

I try to look at those costs from a business perspective. Each candidate and cadet is an investment. On the conservative side, the support costs of graduating an individual is estimated at \$60,000. That does not include fixed costs.

ASSEMBLYWOMAN CARLTON:

My understanding is that local agencies in the south put candidates recruited from that DPS training through their own training academy. In the past, that was a lateral move; it was easy to move to those positions. Now, those candidates may think twice because that move would require a repeat training. I think this change may have an effect on the loss rate.

When I started serving the State in 1999, the NHP provided the hiring pool the rest of the State used. We trained them; they stole them. The way to fix that is by providing benefits.

I know that hiring criteria has changed. I think we may need to reflect on those changes and consider what it is we really want in those candidates. What barriers are there? There is a time constraint; by the time we offer them a job, they may have been hired elsewhere. I think there are ways we can expedite the process.

Are we doing this training at a Category 1 or 2 status? Does that matter? I feel like they have blended into a sort of one-and-a-half category where they are not either.

MR. WRIGHT:

We train at a Category 1 peace officer standard. It is a 16-week academy. You are correct in your assessment that local agencies now require a repeat of the academy. I do think that may slow our loss rate.

You may wonder why we need 1,000 candidates to get to 30 qualified cadets. I think we would be remiss in reducing our hiring standards. Not every person can do this job. My concern is having the best-qualified people around for the long

run. Problem employees are expensive and can cause lawsuits. We feel our standards are true to our needs and in line with other departments' standards.

One trend we saw over the last few years is that candidates' families did not want them to go into this line of work. Another is that candidates may drop out after just a few days into the academy once they realize the job is not what they expected. From a business perspective, the costs of getting that person into academy just to have them leave pains me. It is a struggle, but we need the best we can have to fill our positions. We can discuss this further in subcommittee.

We have streamlined our process. It is less than 100 days to process. Those old timeframes meant we would lose candidates.

ASSEMBLY CARLTON:

My husband has been with DPS since we moved to Nevada. It is the reason we moved here. I think we need to look at the standards. Now the education requirement is a high school diploma. The world has changed; generations have changed. The same standards that may have applied to you and me may not apply to them.

I do have a question about satellite reporting. Is this satellite reporting distinct from the DRC? I had blended them together. Can you tell me more about how satellite reporting works and the numbers on it? What are the plans for it going forward?

MR. WRIGHT:

Yes, they are separate items. The DRC is a fixed operations center. When we worked with P&P, we found concerns about making sure we were interacting with people under supervision.

In brainstorming solutions, we thought about taking our people out to them. We established several satellite functions. We established weekend check-ins. They were very successful. The P&P staff here today should have more info for you. Our reports showed these to be very successful. Those satellite functions should become routine. It has reduced wait times and increased responsiveness.

ASSEMBLYWOMAN CARLTON:

That is good to hear. I know your building gets smaller and smaller as more people use it. I think we will need to continue this focus on satellite functions. They bring a presence to areas that need it most.

CHAIR WOODHOUSE:

The Committee will now hear testimony from the Nevada Board of Parole Commissioners.

CONNIE BISBEE (Chair, Nevada Board of Parole Commissioners):

Slide 2 of our presentation ([Exhibit E](#)) shows our agency's goals. We aim to conduct prompt, fair and impartial hearings on parole release and violation matters. The goal is to maintain the safety of the public. Our top priority is public safety.

There are a few enhancement units in our budget requests. Two of the approved ones are shown on Slide 3 of [Exhibit E](#). The first is the addition of an administrative assistant to support the program officer with the Nevada Board of Pardon Commissioner duties. The Board is the sole administrative support to the Board, which consists of the Governor, state Supreme Court Justices and the Attorney General. This has been the work of one person for many years. It has become an impossible task. The Governor's recommended budget added an administrative assistant to help with the administrative duties of conducting the Board.

The other unit is the transition of our current phone system to the State system. This was approved. Our system was purchased around 2003. The warranty expired in 2011. We have been fortunate in avoiding serious problems with our current system. We hope to have the new system in place in a year or so.

Slides 4 and 5 of [Exhibit E](#) show areas of importance or concern for the Parole Board. A few recommended enhancements were unapproved. One was a database enhancement and the other was securing funding for our hearings representatives. We do not foresee either of these as being insurmountable issues.

The purpose of the Parole Board is to consider people for parole release. If those people violate the terms of their parole, the Board considers tier reassessments under the Attorney General's program. We can have as many as 9,000 hearings

annually. It is a tough job, one where you really have to believe in the parole process. We save the State millions of dollars every year. We release upwards of 4,000 inmates each year. This does not mean that is the amount of inmates released to the community. There are people with multiple, consecutive sentences. We have a high grant rate when compared to other states. We use a validated risk assessment and use that to determine a large portion of what the Board does. Most of our decisions are based on risk analysis.

CHAIR WOODHOUSE:

Seeing no questions from the Committee, let us now hear testimony from NDOC.

JAMES DZURENDA (Director, Nevada Department of Corrections):

Slide 3 of our presentation ([Exhibit F](#)) shows our agency mission and vision. I believe the NDOC needs to be more than just an agency that watches, secures and detains offenders. The NDOC has to be a change agent for offenders; we need to help them change behaviors. This could mean helping them with substance abuse, addictive behaviors and their mental health.

The community relies on NDOC to help these offenders change those behaviors to reduce victimization. The NDOC has to look at how we treat those with mental illness. Currently, the programs that help us with that are few in number. It is irresponsible for NDOC to continue practices like placing the seriously mentally ill in isolation with little or no treatment. We need to communicate with the community. We need to work with other health providers to discuss what kind of drugs and treatments NDOC has tried within our institutions, what has worked and what has not.

The NDOC is the only agency that can keep an offender captive in programming. We can incentivize that programming for inmates, whereas in the communities, there may be more distractions or other incentives for not pursuing treatment. I look at programming used around the country to look for proven successful behavior change curricula.

Some of the programs we currently use are ineffective. They are what I term "feel-good" programs. The staff may like them, the inmates may like them, but if these programs do not show positive results, I need to reinvest those resources elsewhere. We are going to shift to programs that make a difference. I am looking to consolidate our mental health programs into places where I have

the most and best staff in that field, which is Carson City. The Committee will notice a shift in NDOC where I am moving my most seriously mentally ill. I want to make correctional officers part of treatment teams. They are the ones watching offenders around the clock.

Those correctional offenders need training. They need to learn what decompensation of an offender looks like, or how to spot when an inmate has stopped taking their medication. We need to prevent crises, not just react to them. Those trainings will push correctional officers into working directly with mental health and medical staff to achieve that goal.

The other side is training to help identify those serious cases of mental illness, so that NDOC will not put them into isolation without mental health treatment. A Yale study of isolated segregation in 2012 showed that putting offenders with serious mental illness into solitary could actually exacerbate the illness and leave the offender worse off. This leads to a scenario when an offender is worse off upon community reentry than they were upon entry to our institution. The policies and processes that NDOC currently use that enable this situation need to stop. This is why we are consolidating our mental health staff and services.

The way we look at segregation of offenders will have a huge impact on public safety. Currently, we release inmates from isolation directly to the community. These inmates may have spent upwards of five years in isolation, and we are directing them straight out of that and into the community. This is irresponsible; it affects safety negatively. When an inmate is in isolation, we do not offer them programs. When we put the most dangerous offenders into isolation, we take their programming away. To me, those most dangerous offenders need even more programming to change those behaviors. This can be dialectical behavioral therapy, anger management or any behavior change curricula.

Currently, 88 percent of our population serves sentences of fewer than 16 years. If there were never any additional arrests in the entire State, this would mean NDOC is releasing 12,000 inmates to the community in the next 16 years. If NDOC does not do right by those inmates in treating those issues, their release will have a devastating effect on the communities. This line of thinking is justice reinvestment; if we do a better job in NDOC in treating those issues, we will reduce the impact and spending of the various other agencies and programs who are involved in reducing victimization and recidivism. This

would lead to inmate populations decreasing, instead of the increasing trend we see today.

Today, the NDOC is 750 inmates over our count. We do not have bed space for these people. In order to house them, NDOC will put beds in program areas or other areas not intended to be residential. That should not be the avenue we take.

We have one of the lowest administrative costs for our Department in the country. That sounds great from a budgetary view but to me, if we are not investing in our staff or additional programs, we are building towards that devastating impact I mentioned previously. We must take a front-end approach to changing offender behavior. Currently, these behavior change programs are only available in the last six months of an offender's time in our institution. If you know anything about long-term addiction and mental illness services, you may think that our programming, only available in those last six months, may have close to zero percent effectiveness. We have to start that programming, making that investment, on the front-end of sentencing.

Every offender that walks into NDOC's doors needs to have some form of accountability plan that spells out what they need, how they plan to get there and how the Agency will provide services to change behaviors. That process needs to begin as soon as possible, not the last six months of a sentence. This is all to protect the public.

Another issue NDOC faces is veteran services. We currently have approximately 1,800 incarcerated veterans in the State. When taken as a per capita statistic as part of the whole incarcerated population, we have more incarcerated veterans than any other system in the country. We have to do a better job handling, releasing and treating these veterans. I was able to secure grants that would help us expand our veteran services.

The final piece of my presentation will cover Prison Industries (PI). It is important for NDOC to invest in PI work and services. This is an area where NDOC can directly service the needs of the community. We work very closely with DETR to find out what jobs need filling. We can provide inmates education and training that gives them higher potential of job security upon release. We change the direction of PI frequently to pivot around the needs of employers and the community. We have a simulator coming for our facilities that will teach

offenders large-scale construction vehicle handling and forklift handling. We follow the trends of the State. Robotics is an up-and-coming field, especially with companies like Tesla arriving. The PI programs help our inmates become more successful.

Slide 5 of [Exhibit F](#) shows the location of NDOC facilities statewide. This shows the dispersion of our facilities and how things like overtime and transportation (whether medical, judicial or interfacility) costs can affect our budget. This also shows the needs of our recruiting efforts. The NDOC is facing a dire need for employees that surpasses even DPS'. We are working together with DPS to try to improve recruiting. We have that similar issue, where our recruits are completing training only to be taken by local jurisdictions. I am looking at emulating the Las Vegas Metropolitan Police in putting provisions into employment contracts that stipulate the employees' reimbursement of training costs should they be employed by a different agency within two years of completing training. Most of our recruits leave within two years. If we can retain them for those two years, retention becomes much more likely.

I will also be discussing the issues NDOC has faced concerning our phone systems. It is very important for our rural areas to have phone systems. I believe we are one of the few agencies who have never upgraded their phone services. Frequently, our conservation camps have lost phone services. When the facilities are that rural, there is very few staff available for emergency response. If there is a fire and phones are down, that is trouble. If there is a mass disturbance like the one that recently occurred in our Carlin facility and phones are down, NDOC is in trouble. Radio coverage is light and unreliable in those areas. Phones have gone down in facilities where radios are not even distributed to all staff. In those cases, the phones are the sole line of communication for staff working in residential areas. Loss of communication can be harmful and dangerous.

There are also bandwidth limitations in our outskirt facilities. Increasing our bandwidth will increase access to telemedicine, improving health care services at our facilities and save on transportation costs. Bandwidth is used when NDOC conducts parole hearings. We can lose service in the middle of a hearing if there are too many people using bandwidth.

Slide 6 of [Exhibit F](#) is an eye-opening graph showing NDOC's population history and forecasts. We contract the JFA Institute to do forecasting. This forecast

was provided to us in October 2016. We are expecting another in the next week. The data this chart shows may change at that time. Currently, that forecast is below where NDOC actually is going concerning population.

Slides 7 and 8 of [Exhibit F](#) show the data for female and male population respectively. As I mentioned, trends show that NDOC is above the projected growth rate JFA has forecast. It is trending to a much higher rate of growth. When we use that forecast to put together budget requests in the future, this unexpected growth in population can be problematic. The disconnect between projected and actual numbers is especially large in our female population. Female population went up a lot more than JFA predicted.

This leads NDOC to question where we can house these offenders. Currently, there is a housing unit in the Florence McClure Women's Correctional Center that we desperately need to open. The NDOC has been opening and closing this unit periodically for emergencies, sometimes just for one night at a time. We need that unit fully opened and staffed as part of our regular budget.

Slide 9 of [Exhibit F](#) is a pie chart showing the demographic breakdown of who our population was in 2016. There are 3,119 inmates who are new commitments. That is 53.23 percent of the approximately 13,000 members of our population. Those inmates were given a sentence of longer than one year, which means they come to NDOC facilities.

Another 40 percent of our population comes from parole and probation violations. Numbers like that are why Director Wright of DPS and me are making reducing violations a priority. The Governor has made it clear to both of us that we need to make an impact on that number. Right now, those violators are rarely securing release through the parole or probation process. This means they are releasing through what I term the "back door". It is dangerous to the community and bad for victimization to release these offenders without any form of supervision or preparation. When we discharge out the back door, we do not have any control over those offenders. The risk of those offending when released directly is higher than when they are released under parole or probation.

Parole housing and the associated reentry programs in our agency, like transitional housing, constitutes 193 inmates or 3.29 percent of the total population. These programs slowly release offenders back into the community

and help them secure jobs. These programs reduce recidivism dramatically. The two transitional facilities we have, Casa Grande in Las Vegas and the Reno Transitional Center, have shown great success. This is one of NDOC's best practices. States all over the country have come to see how we administer these programs. I hope to see more of these transitional centers down the road.

Another piece of our population is a demographic Director Wright had mentioned as well. About 350 inmates are approved for parole that cannot leave our facilities because they have nowhere to go. This means they will ultimately discharge directly in to the community. The vast majority of them do not have appropriate housing available. Especially with long-term offenders, who may have been in 10 or 15 years, letting them out the back door with just a pillow and a blanket and wishing them good luck is not a viable solution. It is irresponsible. We need to find alternatives for these offenders. I have some proposals I look forward to discussing with the Committee to increase the availability of resources for these offenders.

Another issue NDOC faces is that 28 percent of our population are transient. Thousands of inmates are not from Nevada, or are homeless and have nowhere to go. How we handle this segment of our population is something I have focused on.

Another part of the population is the Safekeepers. Safekeepers, of whom we have 253, are those inmates who are in jail that have proven unmanageable within that jail system. Inmates in local jails who are too violent or high notoriety are sent to NDOC. What happens to most of these violent offenders is that they will be housed alone. All of NDOC's cells have two beds. However, over 800 offenders are on single cell residency. They cannot be housed with another offender. We are losing 800 beds because it is too dangerous to house another inmate with these ones. There are items in our budget that I look forward to discussing because they will help alleviate this problem and make programming more available by moving temporary housing out of program areas.

Slide 10 of [Exhibit F](#) shows NDOC's admissions versus releases over the last years. We have shown a population increase that is dramatic over the last two years. Where is that coming from?

There are only two ways that our population goes up. We are facing either an increase in the front end or a decrease in inmate release on the back end. The data helps show that both are happening in conjunction. This is another reason the Governor has stressed to both DPS and NDOC that we have to get more inmates released. Releasing more inmates through parole means more space available in our facilities, and as I mentioned before, offenders under supervision have a reduced rate of recidivism. It is safer for communities.

Slide 11 of [Exhibit F](#) is a chart that shows the discrepancy between the forecasts NDOC received and the actual numbers. We are getting a lot more inmates coming in our doors and experiencing fewer releases than were forecasted.

When you look at where our aging population is going, Nevada's trends mirror the ones seen all over the Nation. Sentencing laws enacted in the 1970s that pushed longer terms have created a trend of aging prison populations. We have more inmates who are sick or have long-term medical issues as the inmate population ages.

The two charts on Slide 12 of [Exhibit F](#) show the number of hospital admissions by inmates have increased. The average length of stay has increased too. These figures do not reflect inmates who go to emergency rooms or local doctors and return. There are 136 more admissions in 2016 than NDOC saw in the year before. We have experienced 624 more days of overnight hospital stays in that same time period. That is unbudgeted money. In these cases, inmates may not qualify for Medicaid. Either way, our budget does not take the amount of staff overtime into account.

On average, two corrections officers accompany each inmate in an outside hospital. Some higher-security inmates, like death row inmates, take three officers. When applied to a 24 hour period, that means between six to nine officers on overtime to run one day in the hospital. When NDOC is looking at 624 additional days of hospital stays that leads to a monumental cost in overtime. That money ends up coming from somewhere else in the budget. This problem will only continue to worsen as our population ages.

JOHN BORROWMAN (Deputy Director of Support Services, Nevada Department of Corrections):

We wanted to start with that overview to show the Committee that the nature of NDOC is changing. We are no longer merely housing offenders and releasing them to the community expecting different results. Our budget supports that change in direction.

Slide 13 of [Exhibit F](#) shows the Governor's recommended budget broken out by activity. The Office of the Governor has reviewed these activities and has renamed certain elements to make their function more apparent to the public. Of our budget, 75 percent goes towards core activities. Another 11 percent is for PI and inmate services; that money is not from the General Fund. It is a self-supporting enterprise fund. Inmate services, funded through a variety of revenue sources, does things like pay rent for gymnasiums to provide physical activity for inmates. It may also help indigent inmates with reoccurring costs.

Another 5 percent covers all administration costs. There is also another \$6,525,233 for technology investment requests (TIRs). These items are not in the NDOC budget but are still relevant. We need these to happen to be successful in our mission. There is also an additional \$64,344,436 for Capital Improvement Programs (CIPs). This is a significant increase in CIP-level investment. I would appreciate the Committee's consideration on these desperately needed items.

Slide 14 of [Exhibit F](#) is a table breaking down inmate-driven expenses. Certain institutions are omitted here; I will be sure to furnish that information to the Committee and Fiscal Division staff. Cost per inmate is trending upwards, generally. Urban camps, such as the Stewart Conservation Camp, are going from \$2.91 per inmate, per day to \$3.06. This per inmate, per day statistic is an invaluable reference for evaluating our budget.

Slide 15 of [Exhibit F](#) details the personnel recruitment and retention expenses in the Governor's recommended budget. There is a single-grade pay increase for correctional officers, including trainees, senior officers, sergeants and lieutenants. We usually carry over 100 vacancies for correctional officers. The NDOC struggles with recruiting. We currently carry 142 vacancies for correctional officers.

We are still constitutionally required to provide certain services despite those vacancies. Doing so puts stress on the entire organization. We have to maintain a safe and secure environment. Director Dzurenda's testimony emphasized the importance of programming. If correctional officers are not confident in the level of security NDOC provides, inmates notice that. They may refuse to leave their cell or to participate in programming. How do we approach our vacancies?

The NDOC tries to be creative in its approach in answering that question. We attend job fairs; oftentimes we are the lowest-paying entity at those fairs. Correctional officers are Category 3 officers. We are competing against local jails or other municipal entities that may pay better or provide better benefits. Those fairs are often not the most productive source of recruits.

We have begun to offer physical training in the remote areas where the vacancies are especially present. However, we are still struggling with recruitment. We recently sent 200 invitations to people who had expressed interest in our training and in NDOC. Of those, only one resulted in a hire. It is a challenge to get people to commit to working in NDOC.

In order to increase commitment to NDOC, we need to ensure recruits stop looking for alternative employment as early as possible. We have implemented familiarization training; this is where someone who expresses an interest is immediately brought onto the payroll. They will shadow other officers at one of our institutions so they may better understand the nature of the job.

What we want to avoid is the investment of \$60,000 in a cadet who may walk away after their first day on the job. We are trying to give them an opportunity to see what the job is like behind the fence. We want them to determine their interest in the position as early as possible. There are pros and cons to being on either side of the fence. We want recruits to understand what they are. Giving those recruits a paycheck right away helps prevent them from looking for other employment.

MR. DZURENDA:

Slide 16 of [Exhibit F](#) details a new position for a statewide mental health director role. This position existed a number of years ago but was abolished. In my opinion, that decision showed that the issue of mental health was not taken seriously at NDOC.

The last thing I want to do is create inmates who are worse off than they were due to the inappropriate use of segregation, especially as the numbers of inmates with these mental health problems increases. I think this new role is vital. It is a psychiatrist-level position that is not just for quality assurance; it will be involved in auditing. The director will ensure consistency, for example, by addressing how offenders may be classified differently depending on the region in which they are incarcerated. The definitions of major mental illnesses are different in the north and south, and they should not be.

Without someone who monitors, controls, educates the staff and does research on improvements, that situation will not be remedied. The new director will play a key role in dictating how NDOC develops policy and programs to address this issue. It is a big job, but unlike priorities that may have been overlooked in the past, I believe the mental health of our population is crucial. It plays a huge role in when and how our offenders are released. Over a third of our population has some type of mental health needs.

Slide 17 of [Exhibit F](#) shows the recommendations of a study done by the Association for State Correctional Administrators (ASCA). The ASCA audited staffing levels at NDOC facilities. They discovered a shortage in Shift Relief Factor (SRF) positions. The NDOC runs three shifts across a workweek that runs 24 hours a day, seven days a week. We have to budget our staff to account for sick time, vacations, workers compensation and emergencies. We have to consider those. One post does not need one officer. That post is open seven days a week.

The SRF takes into account how many people are needed to staff a post. The ASCA recommended the addition of 100 SRF positions, which NDOC has implemented. However, NDOC did not implement the new post positions that were recommended as well. Those new posts were to improve security and quality of programming. According to ASCA, NDOC is understaffed. You cannot provide successful programming if inmates do not feel safe. They may start to carry weapons, refuse to leave their cells or take other steps to take that security into their own hands. Safety plays a part in programming. The gradual increases NDOC is requesting in staffing and new posts will hopefully meet ASCA's standard in around six years. That is a national minimum standard. Our levels are so far below that NDOC hopes to meet, not exceed, that minimum standard over the next six years.

MR. BORROWMAN:

Slide 18 of [Exhibit F](#) shows NDOC's plan for staggered implementation of these new posts. The ASCA's full recommendation was for 399 positions. The NDOC reviewed these recommendations and sorted the proposed new posts into three priority levels.

Priority level one is focused on the Northern Nevada Correctional Center (NNCC). This is to accommodate NNCC's transition to the primary provider of mental health services as Director Dzurenda mentioned previously. There have also been high-level security incidences at the High Desert State Prison (HDSP), so that facility has also been included in this priority level. This is not to say there are not priority one positions at other facilities or that there are not any priority level two or three positions at these facilities; this is just a general overview. We have the Governor's support on these particular recommendations.

The table on Slide 18 of [Exhibit F](#) identifies where the addition, subtraction and transfer of positions takes place. We had asked ASCA to evaluate not just where new posts should be, but also whether the posts that exist today are in places of the most benefit to the State. For example, NDOC currently uses custody officers to review inmate mail. This position is not generally exposed to inmates. They are looking at inmate mail to catch contraband or illicit communications. We have determined a civilian, not a sworn officer, can play this role. This is why you are seeing 4.84 full-time equivalent (FTE) officer roles removed from the HDSP mailroom to be replaced by the civilian equivalent. Those officers are being moved to transportation per ASCA recommendation.

We are still seeing some vacancies in civilian positions. It is easier to fill those vacancies when compared to sworn officer vacancies. We are trying to find the most effective, efficient composition of employees.

Slide 19 of [Exhibit F](#) details some of the decision unit-level items in NDOC's budget. Director Dzurenda will detail the security-related items.

MR. DZURENDA:

One of my first priorities was eliminating the use of the 12-gauge shotgun inside of housing units. These were used to stop inmate fights. We are the only agency in the Nation that uses this kind of force. When I started as a correctional officer in a local jail 31 years ago, we took that 12-gauge off the

line. That gun's presence was seen as too dangerous, for both staff and inmates. It was not effective.

The majority of our housing units have stainless steel fixtures. When you fire a 12-gauge birdshot round in that environment, the shot will ricochet. You can hit staff that are responding or inmates who may not be involved. These rounds are sold as having lethal force.

We want to switch to 40 mm barrel launchers. The 37 mm launcher is standard around the Nation. This is not a 40 mm caliber handgun; it is a projectile launcher. The 37 mm, a tool I trained to use in 1988, is not an accurate weapon. The 37 mm has a smooth bore that, when a projectile is shot, you have no idea where exactly that shot will land. The 40 mm has a grooved bore that makes it extremely accurate.

This easy-to-use launcher will help staff be more accurate. These projectiles are not deadly rounds. The 40 mm also has adjustable cartridges to serve a variety of ranges. If I need a round that goes five feet, I have that option. The 40 mm launcher would reduce liability and help staff navigate those perilous situations where having a lethal weapon would give them indecision on whether to use that weapon or not. There is no ricocheting shot with these launchers; it is a rubber projectile that can be modified to disperse chemical agents if necessary. They are a safer, more effective tool that will reduce NDOC's liability.

We are also looking at implementing BWCs for our staff. We are looking at implementing 70 to 80 BWCs with this budget. These BWCs will affect three major areas.

During a cell extraction, where staff is involved in removing a dangerous inmate from their cell forcefully, there is a team of six staff that goes in to restrain the inmate. A camera that is behind that sixth person will not capture anything important, just a bunch of noise and movement. Many lawsuits arise from inmate claims in these extractions. The BWCs will allow NDOC to see and record every part of the extraction process. This will protect both our staff and our inmates.

The BWCs will also factor into transportation. Similar to the DPS presentation the Committee heard earlier today, these BWCs will be on staff assigned to

transportation. The last major factor will be having the BWCs equipped on staff doing cell searches inside our facilities. The majority of grievances we receive from inmates are claims that staff may be damaging or stealing their property. The BWCs will be used as evidence in handling these claims.

There is also a request for more than 300 additional stationary cameras in housing units or other blind spots that staff cannot monitor. The knowledge that there are cameras in these areas, collecting evidence constantly, will deter inmates from illegal behaviors. This can reduce assaults and homicides in our facilities. The cameras aid staff and help to reduce the number of incidents.

There is also the issue of radio replacement. Our current system for handheld radios is obsolete. Every radio we lose cannot be replaced or repaired. We need to move to a system that is current and that will work in an emergency. This year, we are asking for a 20 percent increase to the funds allotted to begin the process of replacing our radio system.

MR. BORROWMAN:

I want to talk about the caseload changes in decision units for all our facilities and camps. When we have more inmates, we need more money for food, medicine and other expenses. These decision units provide more funding for inmate-driven expenditures. They do not provide for additional staffing. Instead, NDOC looks at the number of posts required for a facility, regardless of the inmate count. An increase of 5, 10 or 50 inmates does not necessarily equate to an additional post. Instead, staffing changes are included under a different decision unit.

The inmate population projections we performed as part of putting this budget together determined that opening the last remaining vacant housing unit at the Florence McClure Women's Correctional Center would be necessary to accommodate the increase in female inmates. We hope to have that unit open full time by FY 2018-2019. We have used that unit in the past temporarily, but we are seeking the funding to keep it open and staffed full-time.

The NDOC is different from DPS or P&P in that we do not have a formula that determines how many officers are needed by examining caseload. We must ask for that additional staff separately.

Slide 21 of [Exhibit F](#) addresses NDOC's out-of-state housing. The Governor's recommended budget provides for the housing of 200 inmates out of the State. The purpose of this recommendation is two-fold. The first part is for population management. It is also done for security.

There are advantages to dispersing inmates to alternative institutions out of state in a few situations. The NDOC is evaluating to try to see whether moving an inmate would be best for the safety of our staff and our inmate population. We can send some of our most resource intensive inmates to facilities better equipped for them. For instance, top-level gang members could be transported. An inmate who was engaged in illegal activity in Las Vegas, who was sentenced and incarcerated in Las Vegas, will still have the influence he had out of prison.

What transferring an inmate like this out accomplishes is the dispersion of troublemakers across multiple facilities. A top-level gang member will be in a situation with no friends or contacts. When an inmate like that sees that NDOC has the capacity to remove those, it is demoralizing. It will reduce the risk of illicit activities taking place in the institutions. It sends a very clear message that NDOC has the resources to break up gangs.

As Director Dzurenda pointed out earlier, 28 percent of NDOC population is transient. They have no ties to the community. These inmates are another good choice for the out-of-state housing because relocation does not make them more remote from friends and family.

MR. DZURENDA:

I want to explain more about what these high-level gang member inmates can do in our facilities. Often, they are actively recruiting and expanding in our facilities. They can target unaffiliated inmates for recruitment, threats or extortion, which can lead to more victimization in the future. The NDOC needs to take a stance that says we will protect those individuals that are being victimized by gangs. This is why the out-of-state program is important. It shows that we have an avenue to prevent this victimization.

One of our CIP requests that will be discussed later in this presentation is the replacement or repair of around 200 cells at the Southern Desert Correctional Center (SDCC). That is 400 beds for inmates that pose a security risk. I will explain how later. Our most dangerous inmates are housed there at one inmate

to a cell. Moving some of these inmates out of state will free up not just the one spot, but also two for more inmates. It will also help vacate a fraction of those cells for the repair work they desperately need. If that CIP is approved, those inmates will have to be relocated elsewhere. If we do not do those repairs, that portion of the facility will be closed by FY 2018-2019.

Another piece of this issue is the RFP process for out-of-state housing. We are going to target our most dangerous and transient inmates to avoid displacing inmates away from their friends and families. We are going to include long-distance video visits as a part of the RFP. We are seeing a reduction in the number of visits to our outskirts facilities. Inmates transferred from Las Vegas facilities to the Lovelock one may lose the luxury of having family visit them. Increasing our capacity for long-distance video visiting keeps those community ties intact.

The CIP for the repair of those cells would mean a temporary reduction of 200 inmates to our population capacity, but would add 400 to that capacity when the repairs are completed.

MR. BORROWMAN:

Our inmate population is not the only thing aging at NDOC. Our facilities are aging as well. The average age of our facilities is 28 years, excluding the Nevada State Prison facility. Older buildings require additional maintenance.

The State Public Works Division will tell you pipes are good for thirty years. We are rapidly approaching that limit at most of our facilities. Our CIP requests are much larger than they have been in previous sessions because these repairs are desperately needed.

There are two major construction projects included in our CIP requests. The first is for retrofits for Americans with Disabilities Act (ADA) compliance in the NNCC facility. There is a regional medical center at the NNCC, which means there will always be people who are mobility challenged or have other limitations housed there. The Department of Justice is pushing us to make this facility accessible to all. We are seeking an investment of \$11,287,393 to make the NNCC ADA-compliant.

We are also remodeling Unit 8 at the SDCC, as Director Dzurenda previously mentioned. Repairs are sorely needed in this dire situation. We need to utilize

the allotment of 200 inmates for out-of-state housing in order to make those 400 beds available later on.

There are also a few CIPs in the planning process. The first is the T housing unit at SDCC. This is for the planning portion of the project; this unit is not anticipated to be available for housing as part of the 2017-2019 biennium. We are forecasting construction on this to begin in 2021. Additionally, there is a project for replacing the HVAC system at the Lovelock Correctional Center.

MR. DZURENDA:

Slide 24 of [Exhibit F](#) gives the Committee more information on the 350 inmates who have been approved for parole but do not have a viable reentry plan. Some of them have remained in our institutions for four or five years after securing parole because they have nowhere to go upon release.

The NDOC will transfer a portion of the Indigent Fund to P&P to help pay for hotel or motel space for offenders. The P&P will also add parole staff to our institutions to help offenders develop plans that are more viable. They will also implement a State-funded house arrest program as an alternative to incarceration. The final portion of our approach to this is an increase in funds for the Indigent Fund for parolees. This will give those parolees a bank account. We do not want to release inmates out the back door after 20 years without a dime to their name. A pillow and a blanket is not enough. Money to help them survive and get started will reduce the odds of those offenders coming under NDOC supervision again after returning to criminal means to survive.

MR. BORROWMAN:

There are also decision units for operating expenses that are similar to those found all over the *Executive Budget*. There are ones for equipment replacements that will total \$273,894. Deferred maintenance accounts for another \$111,655. Our TIR units total another \$6,525,232.

Slide 26 of [Exhibit F](#) breaks those operations and deferred maintenance costs down by category. Maintaining our necessary medical equipment will cost \$119,274. Culinary equipment will cost \$238,756. This would replace worn-out appliances and kitchenware. Laundry services require a commitment of \$35,138.

As for deferred maintenance, there is \$51,280 for HVAC- and swamp cooler-related expenses. Water supply requires \$60,812. This will replace pipes to prevent hammering and ensure clean water. There is also \$17,145 to replace some of our underground vaults for phone or electric services. Backflow and sewer flow controls require \$13,176 and \$23,950 respectively.

MR. DZURENDA:

Slide 27 of [Exhibit F](#) details NDOC's TIRs. Our offender management system will soon be unsupported by current platforms. It will be rendered unusable. This TIR will help NDOC revamp NOTIS and help us notice compatibility or security issues. There is also the matter of telephone replacement I mentioned earlier. This system is currently failing on a weekly, and sometimes daily, basis.

There is also a TIR for electronic health records. This is part of the important job of connecting our facilities with the communities. Right now, NDOC does not know what offenders may have been prescribed or treated for by the community. If an inmate has traumatic brain injuries or post-traumatic stress disorder, we are unaware of their diagnosis or treatment history. Most of the time, the offenders do not have or offer this information themselves either. This TIR will connect us with local hospitals. It is a two-way benefit; those facilities will also be able to access what steps NDOC has taken with those individuals. If we have conducted MRIs or CAT scans, they will know the results of those. We watch our inmates 24 hours a day; we are acutely aware of which medications did or did not work, and their side effects. This TIR would be a big step forward in our treatment of the mentally ill.

There is also a TIR for a workforce scheduling system. It currently takes a sergeant a full eight-hour shift to compose the rosters and schedules for the following day. Remember, these facilities are covered by three shifts, seven days a week. The proposed workforce scheduling system will reduce the time spent composing these to a single hour using automation. This will get those sergeants on to the facility floor, where they are most needed, rather than in an office. It will also help NDOC calculate staffing levels at each facility and make the changes necessary to accommodate shortages. The system will also help staff keep track of sick leave, vacation leave and their schedules. Ultimately, this system will help increase staff available for inmate supervision and cut overtime costs.

MR. BORROWMAN:

Slide 28 of [Exhibit F](#) is information about the Interim Finance Committee's (IFC) approval of NDOC's change from an accrual basis to a cash one concerning medical funding. This very technical change required close cooperation with fiscal staff. It has been a very positive change for NDOC. The change makes our system consistent with programs like PEBP and Medicaid and improves the projections we use for budgeting. We have a pending supplemental \$1,327,527 for this change included in the Governor's recommended budget.

ASSEMBLYWOMAN SPIEGEL:

What is the average age of your population? How have the demographics shifted, and how has it affected things like hospital stays?

MR. DZURENDA:

The average age of our population is 28 years old. It is a figure that has increased over the years. In 2010, that average was around 25 years old. This does not indicate that inmates are entering our system at an older age; it indicates that the average inmate is staying in the system longer. The amount of inmates in our population aged older than 50 years has multiplied. This leads to an increase in medical and hospice costs. We have a large number of inmates in hospice care today. That care is very expensive.

ASSEMBLYMAN EDWARDS:

You have 142 vacancies in your department. That equals out to around \$7 million or \$8 million for salaries that is unspent. Does that money go back to the General Fund, or are you able to use that for maintenance or other programs?

MR. DZURENDA:

That money goes to overtime costs. We have a minimum staffing plan for each facility. Those vacancies are filled by using officers on overtime. Those vacancies are still filled, just not by new bodies. They are staffed by overtime.

ASSEMBLYWOMAN TITUS:

I am curious about some of the health care cost data you provided. You have discussed more hospital visits and longer stays. Why is there a 50 percent increase in stays when there is not a corresponding 50 percent increase in inmates? Is there not an infirmary in these institutions? Are you not using telehealth to try to alleviate those costs?

My husband, a retired sheriff out in Lyon County, saw that a jail built out there encountered how prohibitive the costs of accompanying inmates to the hospital can be. The accommodations made for telehealth helped offset some of the costs of having deputies and officers leave the building to escort inmates to hospital.

MR. BORROWMAN:

The disparity between the inmate growth rate and the hospital costs comes from having an inmate population that is both increasing in size and in age. The shift in average age from 25 to 28 may not seem like much, but remember there are many inmates above and below those numbers.

As you age, you require more medical services. However, we are also seeing that the type of inmate we are receiving is much less healthy. We are receiving people who may have not taken a lot of action to maintain their health. They are sicker than inmates have been historically. A population that is larger, older and sicker than ever before is driving those expenditures up.

We are very active in promoting telehealth. Telehealth clinics are primarily done through Renown Regional Medical Center. We recently renewed that contract for another four years. Renown is pursuing federal grants in this area, and has recently received an appreciable federal grant to expand their telehealth services. We meet regularly with them to discuss how to utilize their services best. They included some of our facilities in their grant request, so those facilities are receiving new equipment for telehealth.

Part of the challenge in expanding is bandwidth. How much bandwidth can we get out to Ely? It is a problem that takes many dollars to solve. Endpoint equipment is only one part of the problem. We are trying to make telehealth as accessible as possible.

ASSEMBLYWOMAN TITUS:

This goes back to questions I had earlier with DPS. The lack of bandwidth Statewide is a problem that is limiting a lot of programs and divisions all over the State.

ASSEMBLYMAN SPRINKLE:

I am intrigued and encouraged by your presentation. I want to examine how our State approaches mental health issues. I appreciate how important it is to you

and your Department. I look forward to discussing this in further detail with you.

However, I noticed an overall increase of around \$87 million in your budget request. How we pay for these progressive ideas is something we need to work on.

Three years ago, one of the main drivers of the increase in medical costs was catastrophic-type incidents. Have you seen this trend maintain, increase or decrease?

MR. DZURENDA:

It has not decreased. We average two to three medical deaths a month within our population. These are anticipated cases from those under hospice care or on our fragile lists. The issue with Hepatitis C treatment I discussed earlier is a national one. There are only two states in the country that test every offender for Hepatitis C. Those are Montana and Pennsylvania. We do not test inmates for Hepatitis C unless they exhibit the symptoms or signs of it.

The agencies in those states have found out that when they start testing for Hepatitis C, they need to start treating it as well. Treatment can cost \$38,000 a year per person. There is a national lawsuit brought forth by the U.S. Department of Justice against the states' agencies about this. We are facing it. It will have a huge budgetary impact depending on how that suit is resolved.

ASSEMBLYMAN OSCARSON:

I have a few questions about telehealth as well. Does the problem with bandwidth have to do with the physical lines? Is the cable simply not enough to accommodate? What is the biggest challenge you face in expanding bandwidth, and do you have any idea how much could be saved by expanding bandwidth, and thus, telehealth?

MR. BORROWMAN:

There are resources we can use to address our bandwidth problem. We could turn to the private sector. We could collaborate with NSHE, who already has bandwidth available at or near our facilities. There is also EITS, who provides bandwidth to State agencies. I know they have been challenged in providing bandwidth in remote areas that may not be commercially viable for the private

sector. They may be carrying an artificial market. I do not want to speak on EITS' behalf. All I want to say is that expanding the bandwidth should be a State strategy. It can be very expensive.

With increased bandwidth comes an increased opportunity. It would not only improve telehealth. That would save us on transportation and logistical costs. We could also increase access to remote training. For example, we have kosher food preparation training. That video is housed on a hard drive we physically ship from facility to facility. We could transmit that electronically provided we have the bandwidth.

We could also use the stationary cameras for real-time monitoring of events. Many opportunities are dependent on bandwidth. There are very similar situations with the BWCs. Recording is only the first step. Bandwidth is what lets us centralize that data so that others can access it. Testing has shown that transmitting that data right now is problematic. Transmitting the data from our 11-camera pilot program takes 36 hours to upload a day's worth of footage. That does not include the other various uses of bandwidth, such as email. Increased bandwidth would create opportunities for us, including reducing costs for things like medical transport.

SENATOR GOICOECHEA:

Of those 140 vacancies in your Department, over 30 percent are in the Ely State Prison. I think we need to dig down into why that is as this topic moves to subcommittee.

MR. BORROWMAN:

It is problematic. We are dependent on what is happening with the mining and other major industries in Ely. We are not the primary employer in areas like Ely. In addition, some of our veteran employees are considering retirement. This issue is very apparent at the Lovelock facility. We are trying to attract people who are driving right past that new Tesla facility. We have to try to convince them to drive an additional 45 minutes past that to a lower-paying job. I expect to see those vacancies shift to the more rural areas. In areas like Ely, we have to be very creative in our efforts just to hold on to current staffing levels. You are correct in stating that 30 percent of those vacancies are in Ely.

SENATOR HARRIS:

You have talked a lot about how to transition inmates back into communities. What type of adult education programming is offered in your facilities? These programs give reentering offenders the life skills to make that transition back seamless.

MR. DZURENDA:

There is a two-pronged answer to that question. There is the part that consists of regular education. The local school districts are in charge of the programs that offer high-school equivalent education. The NDOC provide workforce training and education programs. We have PI training, training on things like keeping a regular routine.

We try to teach inmates the process of getting up at the same time and going to work every day. A lot of them have never had this type of schedule. The NDOC teaches them basic life skills. We work with DETR to determine where labor is needed and teach our offenders how to fulfill those needs.

What we really need to expand on is treatment. Inmates cannot be expected to be successful in securing employment when they have an untreated serious mental illness or addiction issues. We need to treat those core issues first. That is why I am looking closely on how we can offer more addiction services, anger management and other forms of behavioral change programming.

When I first started working at NDOC, I reached out to the government to see what kind of grants targeting these reentry programs would make sense for Nevada. This is why we got into the Second Chance Act. This Act gave us \$3 million for research, development, training and staffing for reentry programs.

When NDOC worked with the two State universities to analyze crime rates around the State, we found that 80 percent of crimes that brought offenders under NDOC supervision were property- and drug-related crimes. The Second Chance Act targets our programming at those offenders. We have to target treatment first before those job skills trainings can really be effective. We have to balance our resources to respect that.

ASSEMBLYWOMAN DIAZ:

Do we pay for out-of-state housing for inmates? Is there a give and take to this arrangement, where we take some of their high-level inmates?

MR. DZURENDA:

No, we do not take any of theirs. Under interstate compact, we can swap one-for-one, but that is not the case here. This program's aim is to reduce inmate population. We do engage in those one-for-one swaps, but that is not part of this program.

What this program will do is move inmates to facilities, typically large, private-owned facilities, where it may even be cheaper to house them. These facilities can average a cost of \$56 a day per inmate. That is for a high-cost, high-security inmate. Our RFP is required to specify what kind of inmate and what needs these facilities need to accommodate, which will drive that cost up or down.

Our need right now is to reduce the number of our most violent inmates. This will prevent gang activity within our institutions and reduce our population kept in segregation. Moving those 200 people out will eventually make room for 400 people.

CHAIR WOODHOUSE:

The Committee will now hear testimony from NDOT.

RUDY MALFABON (Director, Nevada Department of Transportation):

The NDOT is responsible for 5,400 miles of highway and 1,163 bridges. This system carries approximately 54 percent of total vehicle miles traveled in Nevada. We are a multimodal agency that addresses the needs of pedestrian, rail, bike, air and bus traffic. The regional transportation commissions across the State receive funds for urban transit. The NDOT receives funds for rural transit.

Slide 3 of our presentation ([Exhibit G](#)) is NDOT's mission and vision statement and our goals. Here are our Department's goals: safety is first and foremost, followed by environmental stewardship, efficient operation and maintenance of transportation systems, improving internal and external customer service and finally, organizational and workforce development.

Our budget philosophy is optimizing all of our available resources. One of the biggest resources is federal funding. We aim to preserve our assets and cooperate with the many partners that share the responsibility of running our transportation network.

Slide 5 of [Exhibit G](#) details the Governor's recommended strategic planning framework for State and those areas I believe NDOT has a role. Transportation is closely linked to economic development. We want projects that support economic vitality, growth, productivity and boost the movement of goods.

Another element of the framework was infrastructure and communications. The Committee will see multiple areas where NDOT had a direct tie to goals in that area. Public safety and emergency preparedness are other areas directly related to NDOT. The Governor had also highlighted a goal of an electric highway system that serves the entire State operational by 2020.

Slide 6 of [Exhibit G](#) details NDOT's governing legislation. There are constitutional provisions that affect fuel taxes and where those funds go. The NRS 408 details the composition and execution of NDOT's Board of Directors. We are the only state in the Nation where the Governor is the chair of that Board. Most other states' departments of transportation are under the Executive Branch, but are run by a commission or other group.

The Governor, Lieutenant Governor and the State Controller, as well as four members as appointed by the Governor, staff our Board. The Board meets monthly, approving construction contracts that are greater than \$5 million in value. They also oversee any service agreements with engineering or other companies that provide services to NDOT. Those service contracts over \$300,000 require the Board's approval; those under that amount are left to the Director's discretion.

The Board also approves NDOT's work program, the Statewide Transportation Improvement Program (STIP). The STIP is a four-year list of projects for the Department. The regional transportation commissions (RTCs) do the planning for transportation in their jurisdictions that are then rolled upward into the STIP. Certain long-range goals are added to our long-range element project list.

Slide 7 of [Exhibit G](#) contains information on the State Highway Fund. This fund serves the needs of NDOT, and we are receiving the bulk of that money. We have the bulk of the capital expenditures. That fund also serves the Department of Motor Vehicles (DMV) and the DPS. Projections for the fund's revenue are provided through the DMV in consultation with DPS, NDOT, fiscal staff and the Governor's Finance Office. We rely on those projections to determine the fund's anticipated balance.

We maintain a minimum balance in the State Highway Fund. As a goal, we aim to keep 1.5 months of capital expenditures and 1 month of other operational expenditures as a minimum balance. This practice exists in case of situations like federal government shutdown where NDOT's cash flow is impacted. The projected State Highway Fund balance for the 2017-2019 biennium is substantial. This budget was put together in the fall of 2016, and at that time we were instructed to have a flat budget.

Slide 8 of [Exhibit G](#) shows the NDOT organizational chart. At the bottom, the Committee will see the three NDOT districts that comprise the majority of NDOT staff. There is one for Las Vegas, one for Reno and one for Elko. That level is where the bulk of maintenance activity and construction oversight occurs. In NDOT headquarters, there are assistant directors heading up administrative, planning, engineering and operational divisions. The Operations Division handles construction, maintenance and traffic operations. The other ones are self-explanatory.

There are also support functions such as communications and multimedia, human resources, external civil rights, contract compliance, audit services and legal services. The Storm Water Division exists thanks to the Legislative efforts of the 2015 Session. We have a solid storm water program overseen by a deputy director. I will give more information on this later in the presentation.

The NDOT operates 51 maintenance facilities across the State. Primarily, these are located in Las Vegas and in Carson City, where NDOT's headquarters are located. There is also the District 2 headquarters in Reno. District 3 has the main office in Elko and a presence in Winnemucca and Ely. District 1 is headquartered in Las Vegas with a major maintenance station in Tonopah.

The Committee should note NDOT's presence throughout the State. For winter operations, we want to have quick response times for things like snow plowing and deicing. Our maintenance team makes great efforts to keep up with the winter storms and flooding events.

Slide 10 of [Exhibit G](#) will give the Committee an idea of NDOT staffing levels. About 80 percent of NDOT's 1,844.5 FTE staff is in construction, maintenance, emergency management or engineering. A lot of our work is taking care of the roads and overseeing the projects we put out to construction.

Slide 11 of [Exhibit G](#) is an update on the Storm Water Program. The IFC received a quarterly update last week. We are operating under a consent decree that is negotiated with the U.S. Environmental Protection Agency. The obligations of that decree include mapping and the establishment of policy and procedure to protect Nevada's water.

We are currently filling many of the recommended positions. We have four critical positions that our Deputy Director has identified that are needed to manage this storm water program. We also had many vacancies open up due to retirement. We are looking to repurpose some of those vacancies to those four critical positions. Eventually, all of those recommended positions will be filled.

Slide 12 of [Exhibit G](#) shows projected State Highway Fund revenue for the 2017-2019 biennium. Our revenue comes from a combination of State, federal and bond revenue. On the State user revenue side, which accounts for \$1,066,000,000 over the biennium, the majority of revenue is derived from gasoline taxes. There are also portions derived from the Government Services Tax (GST), vehicle registration fees, diesel and propane taxes, motor carrier fees and drivers' license fees.

As for federal revenue, a portion of gasoline taxes are collected on a federal level and redistributed to the states. The federal gas tax collected is not enough to meet the obligations the federal government has authorized to the State. They fill that gap with national General Fund revenue. Bond proceeds are associated with Project NEON in Las Vegas.

In the Other Receipts section of Slide 12 of [Exhibit G](#), a small percentage derives from fuel revenue indexing. That is a new process passed in Clark County and enacted by the Clark County Commission. That money must be spent in the county of origin. There is also revenue associated with the Uber and Lyft ride sharing service passenger carrier tax.

Income agreements revenue comes from projects being done in conjunction with local RTCs, city or county agencies. That shared revenue goes towards projects NDOT has procured. The DMV- and DPS-authorized revenue is also included in those figures.

Slide 13 of [Exhibit G](#) shows the Highway Fund user fee revenue outlook. As gas prices have been staying relatively low, there has been a slight increase in gas

tax revenue. It has been a moderate increase year after year. The Committee will also see that Uber/Lyft passenger carrier tax is included in the Highway Fund revenue as well. There is also the fuel revenue indexing for Clark County I mentioned previously, and the GST as well.

Slide 14 of [Exhibit G](#) shows more information on gasoline tax revenue sources. The federal government receives a portion of that revenue, which accounts for 18.4 cents of tax per gallon. The State's portion is about the same amount. There are also two portions that belong to the county. The counties have a mandatory tax and an optional one. I believe there are three counties that do not opt to use the maximum amount of gas tax allowed. These taxes allow them to take care of their county roads.

There is also a chart on this slide that shows the State's gas tax history. There has not been an increase in the gas tax since 1995. Indexing the gas tax to inflation is going to help the counties that receive this money. Washoe County receives indexing, as does Clark.

Slide 15 of [Exhibit G](#) shows the breakdown and tax history of the special fuel tax. This tax is mostly for diesel fuel as I had mentioned previously. The revenue here is split, with the federal government receiving one portion and the State the other. The counties do not receive a portion of the diesel tax unless they are indexing. That can be a substantial source of revenue for counties with lots of truck traffic and truck stops. This tax also covers propane, methane and other alternative fuels. Again, the Committee will see in the tax history that this tax has remained flat since 1995.

Slide 16 of [Exhibit G](#) has information on electric and hybrid vehicles as well as vehicle miles traveled (VMT) for the State. I anticipate a lot of conversation about electric and hybrid vehicles moving forward. I have spoken with Assemblywoman Bustamante Adams and the leaders of the transportation committees about this. Right now, the number of electric vehicles registered in Nevada is less than 1 percent of the total.

The biggest issue I think the states will face concerning fuel tax revenue is the change to the Corporate Average Fuel Economy standards. The federal government sets these; new vehicles manufactured and sold in the country are expected to hit a goal of 54.5 miles per gallon. These are very fuel-efficient

vehicles, and if revenue is based on a cents-per-gallon fuel taxes, that will affect that dramatically.

In Nevada, gas prices are relatively low compared to where they were a few years ago. They have been as high as \$4 per gallon in the past. There are a lot more people traveling more. The VMT has increased dramatically after the recession. The graph on the bottom on Slide 16 of [Exhibit G](#) shows how vehicle fuel economy has increased in the last few years while total revenue from fuel taxes have remained relatively flat, with only slight increases year to year.

Slides 17, 18 and 19 of [Exhibit G](#) show information about the Federal Highway Administration's Federal-aid Program. The federal government collects revenue from fuel taxes, truck tire sales and heavy vehicle use. They distribute that funding back to the states. President Obama signed the Fixing America's Surface Transportation (FAST) Act in December 2015. The FAST Act established the funding levels NDOT expects up through 2020. Before that, revenue was distributed in fits and starts through short-term extensions. We are happy to have a long-term source of funding that lets NDOT anticipate the level of federal funding it will receive. The FAST Act includes modest growth rates that average around 2.2 percent a year.

The Federal-aid Program is paid through apportionments. This is when the federal government divvies up the program revenue into certain categories of funding. This is done by formula. The National Highway Performance program is the category that we use primarily for our interstate highway system. There is also the Surface Transportation Program we use for U.S. and State routes mostly. The Congestion Mitigation and Air Quality Improvement Program is typically used in Washoe and Clark counties to address air quality issues. The Highway Safety Improvement Program accounts for around \$21 million in funding to use on eligible safety projects.

The Federal Highway Administration gives us an obligation limitation. Obligating means we are booking or programming a certain amount of funds to a project. We have to follow a certain process. These projects are included in our STIP. We spend that money out of the State Highway Fund and it is reimbursed later. It is a rapid reimbursement, relatively. It is usually not a matter of waiting for months to pass; we simply use the financial management system of the federal government to receive that reimbursement.

I am pleased with the efforts of NDOT's financial management office in getting money that would otherwise be left on the table at the federal level. We obligate all federal funds we receive to projects. There are two opportunities to receive funds left on the table by other states. "Last Day" funds are the first, and the table on Slide 19 of [Exhibit G](#) will show that those funds have not been available since 2010. States are getting better at spending available funds.

Redistribution always occurs at the end of the fiscal year. This is called the August Redistribution. Last year we had \$20 million that was received through this. This process typically occurs too late in the fiscal year to add a new project. It is more typically used to cover the State's side of matching funds on expenditures already made. It is a testament to our financial management office's efforts that, over the last 13 years, NDOT has averaged around \$13 million a year from these eligible federal funds.

Slide 20 of [Exhibit G](#) is graphs that show the expenditure side of the State Highway Fund as estimated for the 2017-2019 biennium. Total expenditures amount to \$2.462 billion. The NDOT accounts for \$1.799 billion of that figure. This is primarily for capital construction, with some portions paying for equipment, operating, travel and personnel costs. The DPS and DMV expenditure of State Highway Fund money is included on this slide as well. Other disbursements to State agencies, such as the Nevada Transportation Authority or State Public Works Division, account for another portion. This slide shows that the majority of State Highway Fund money goes towards capital construction.

Slide 21 of [Exhibit G](#) breaks down budget requests for the 2017-2019 biennium by activity. The top three activities, which are construction, project and program delivery, including review and management, and the maintenance of roadways and highways, account for 84 percent of expenditures. There is not a lot that goes towards general administration or multimodal activities. We only receive a small amount of federal funds for multimodal activities. The bulk of the money goes to construction and program delivery.

Slide 22 of [Exhibit G](#) shows NDOT's priorities and performance-based budgeting. The core functions of our Department are infrastructure and communications, with smaller amounts being spent on public safety, resource management and business development services. These are all tied to performance measures. When we are evaluated, either federally or by State

government, they look at whether we are using the money to the meet performance requirements. The Legislature will receive a performance management report shortly before Session starts.

Slide 25 of [Exhibit G](#) talks about NDOT's obligations. We are often asked how much is being spent in specific counties and the type of projects we are completing. We incorporate suggestions from urban RTCs and rural counties and other agencies into our STIPs. Some of the projects are called capacity projects. These are new interchanges, highways, adding lanes and widening existing highways. A lot of money has been going to these as Nevada tries to diversify its economy and enjoy the growth we have experienced in areas like Clark County.

The preservation projects are typically more like maintenance. This can be repaving or surface treatments. There are projects where we grind out the top layer of asphalt and repave. Other projects include pedestrian safety, ADA compliance and safety projects. When we put up cameras or signs on the highways, those are called intelligent transportation system projects. The NDOT also has a landscapes and aesthetics program. These can be quality of life upgrades for older interchanges. This slide is a snapshot of where our money has gone during FY 2015-2016. The bulk goes to Clark County.

Slide 26 of [Exhibit G](#) shows the same data, but over a five-year period from FY 2011-2012 to FY 2015-2016. This is to give the Committee a better sense of how much spending is occurring. About 63 percent of our spending goes to Clark County, with 8 percent for Washoe County. We are also responsible for the entire State system, so there is a lot of spending in the other, more rural counties.

Slide 27 of [Exhibit G](#) explains a little more about our Capital Program. Our overall Capital Program is a lot higher than the total of B/A 201-4660.

INFRASTRUCTURE

TRANSPORTATION

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

This is because the biennial budget was submitted while NDOT was bound by the "two times" rule in which our budget was required to be our base budget for a year times two. It was prior to the Economic Forum forecast and some other events. A lot of the difference here is associated with the bonding for Project NEON. That has been a substantial amount of bonding.

About Project NEON, I want to mention that Nevada still has a very good bond rating. We are very conservative with our debt. We still have a AAA rating with the bond rating agencies. We are very conscientious about how much debt we carry at NDOT for our projects.

Some of the major projects coming up are already underway. This includes Project NEON. We also just started widening Interstate 15 from Craig Road to Speedway Boulevard. We are finishing the Boulder City bypass, which should be completed by the end of 2017. The RTC of Southern Nevada is doing a substantial portion of that bypass. The bypass will be finished by 2018 with NDOT maintaining that roadway. The Garnet Interchange, between Interstate 15 and U.S. Route 93, is still under procurement. We are seeking a design builder for that project that will widen U.S. Route 93 and improve the interchange. The Durango Drive to Kyle Canyon Road project is being done with the City of Las Vegas. The City wants the interchange built on Kyle Canyon Road at Mount Charleston. The NDOT will be widening the highway from Durango to Kyle Canyon Road. The Starr Avenue Interchange on Interstate 15 by Henderson is being done with local funds from Henderson and the RTC of Southern Nevada.

There are also projects in northern Nevada. The USA Parkway project is underway and slated for completion by the end of 2017. The Carson Freeway project will be open in the middle of 2017. We have also kicked off the environmental impact study for the Reno Spaghetti Bowl. A significant investment will be needed to address this outdated interchange. The actual improvements will take place in the years following the conclusion of the study. We also have a project widening U.S. Route 50 in Lyon County. That is the road to Fernley. That will be coming up in the next biennium.

Slide 28 of [Exhibit G](#) shows information about bonding for Project NEON, B/A 201-4663.

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

We are anticipating approximately \$180 million in funding for FY 2017-2018. Initially, NDOT anticipated four bond issuances to support the construction phase of Project NEON. Because of the reduction in time needed to complete the project, the design builder was able to give us a good price and schedule for that project. We anticipate being able to complete the project with three bond issuances. One thing to note is that these funds are eligible for federal reimbursement over time. We anticipate bond principal payments to be reimbursed so the State's contribution will total only 5 percent of the construction cost.

Slide 29 of [Exhibit G](#) is a one-page summary of the highlights and benefits of Project NEON. The schedule at the bottom shows an anticipated completion date of July 2019. These improvements will improve safety and reduce congestion and delays on the most heavily trafficked highways in the State.

Slides 30 through 39 of [Exhibit G](#) show some of NDOT's specific decision units. Decision unit E-225 for the fueling system upgrade will replace fuel tanks with aboveground tanks.

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

This is mainly to make sure enclosures can be built around fuel tanks in case of leakage or spillage. We do not anticipate any leakages, but want to build more aboveground tanks as underground ones require more monitoring for corrosion and contamination. This system is not used by NDOT alone; 86 entities comprised of a combination of State and local emergency responders and law enforcement use this system. This decision unit is not just for new tanks, it also includes control systems that need to be upgraded. I have seen many communications showing certain sites are inoperable because of computer issues or glitches with the current control system.

Decision unit E-226 is about betterment supplies. Betterment is a term we use for maintenance projects performed by the State maintenance crews.

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

We contract out many of these projects, but State crews typically perform smaller ones. Things like cracked filling, striping the roadway after winter, guardrail repairs and surface treatments fall into this category. We have had quite the winter this year and the salt, sand and chemical deicers we use are considered betterment supplies.

As NDOT's Director, I receive many requests for additional staff. There were around 50 to 60 staff requested. I whittled that down by looking at what can be contracted out and what we can do using service suppliers. We do have new highways coming online. Even though it sounds counterintuitive, these new roadways do require maintenance. When events like winter storms occur, there are repairs to be done. Maintenance is required from day one.

Decision unit E-230 requests two new five-man maintenance crews. One is for the USA Parkway and another is for Interstate 11 in southern Nevada.

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

There are also eight new positions at NDOT that we are requesting the Legislature's consideration. Decision unit E-231 requests these positions.

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

These positions are related to Geographic Information Systems (GIS). This is the digital mapping of areas. The NDOT is trying to consolidate the GIS services within our Department into the Location Division. Many of the technical divisions of NDOT rely on these GIS resources. Asset Management is a new division that needs better digital mapping. We also need a program manager for that division. I testified before the IFC last week about asset management. We have a plan that was developed to be federally compliant. It requires an asset management system we are in the process of procuring.

The other pressures on NDOT have to do with innovation. It is great to see companies like Hyperloop in Nevada. The Governor's strategic framework for the State includes electric highways and the needs of electric vehicles. Autonomous vehicles are an up-and-coming area of technology NDOT wants to be more engaged. We want to create an office on innovation at NDOT with planner analysts who can take some of the load off the executives.

There is also additional staff needed for our Financial Management Office. They have done a great job in securing federal money and I believe this office pays for itself through that. However, our new financial system requires closer monitoring to manage properly and meet the needs of the federal government. We also want to bring on an environmental scientist for southern Nevada, where NDOT has been contracting biologists. It is more cost effective to have that role in-house to cover several projects.

Decision unit E-232 covers personnel changes to our flight operations.

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

The NDOT wants to change its pilots to be unclassified. It is very efficient to use the two planes NDOT owns to fly our staff. Typically, these trips are to Las Vegas, but this week I am flying to Ely to meet with stakeholders and give a presentation. We tour the entire State. We think it would be more effective to have those pilots as unclassified. We try to have a chief pilot and a copilot. It is a lot safer in case of medical or other emergency. We are requesting an additional pilot as well as the change to these positions being unclassified.

Decision unit E-277 is a request for additional funding for our electronic documentation system (EDOC).

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

We are trying to improve our electronic documentation. The NDOT used to be a pencil-and-field-book department when it came to tracking bid and procurement processes. Emphasizing EDOC will make us more efficient. We want to move to a web-based program and add materials testing functionality to EDOC.

Decision unit E-377 is related to the replacement of the Nevada Shared Radio System (NSRS).

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

The NSRS is a statewide 800 MHz mobile radio system shared between Washoe County, NV Energy and the NDOT. This system is at the end of its life and unsupported. This system has over 6,000 users and 67 sites. We have to upgrade it in conjunction with our partners. Each of those entities is responsible

for the procurement and construction processes for their jurisdictions. Slide 36 of [Exhibit G](#) gives a schedule of the procurement. It could be a system purchased over the course of years. More information on this process will be forthcoming.

There is also a lot of replacement equipment required. Decision unit E-710 is for the replacement of a portion of licensed mobile and fleet equipment.

E-710 Equipment Replacement — Page NDOT-22

The eligibility of equipment for replacement is based on miles or hours of use and the age of the equipment. There is a legislative requirement requiring NDOT to weigh the costs and benefits of leasing versus purchasing equipment. That information has to be provided to the Board of Transportation when we ask to purchase equipment that costs over \$50,000.

This decision unit also requests budget authority for the replacement of approximately 10 percent of the radios used by NDOT. These radios will function in both the old and new system as it is rolled out. These replacement radios will be vendor neutral.

Slide 38 of [Exhibit G](#) shows the type of equipment and the anticipated costs for decision unit E-720.

E-720 Equipment Replacement — Page NDOT-23

These are very expensive pieces of equipment, but again NDOT is required to evaluate the costs of leasing versus owning this equipment. The Transportation Board has final authority on which method NDOT will use for each piece of equipment.

Decision unit E-730 is for the maintenance of buildings and grounds.

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

As I mentioned, NDOT maintains a presence across the State. Slide 39 of [Exhibit G](#) shows the highlights of this unit. There are expenses associated with the Equipment Division and their shops. In addition, the costs for the three districts are shown here as well as headquarters and statewide facilities.

SENATOR DENIS:

How many years will you take to replace your radios?

FELICIA DENNEY (Chief of Financial Management, Nevada Department of Transportation):

We replace 10 percent of the radios each year.

SENATOR DENIS:

Will those radios work with both the old and new radio system?

MR. MALFABON:

Yes.

SENATOR DENIS:

So this replacement is not for the transmitters? Is it for the radios themselves?

MR. MALFABON:

Yes. A lot of the infrastructure, the installations on mountaintops and on top of buildings, will remain the same. The equipment that goes on the rack might be newer. The NHP and DPS rely on this same system, which is why all are asking for these replacement radios.

SENATOR DENIS:

Last time we talked about the radios, the challenge was the infrastructure. We had to wait for winter to end to access those installations on the mountains. That work is complete now? We just need to update the radios?

MR. MALFABON:

Yes. We are projecting five years of time for implementation. A lot of that depends on the vendor and design selected. We are building a prioritized list of sites for infrastructure improvements.

SENATOR GOICOECHEA:

In their presentation, DPS mentioned they used the same radio system. You are talking about taking five years, but they want to close that Elko Interagency Dispatch Center where there is spotty coverage. I do have one question for the Director; a colleague would like to know when we could drive 80 miles per hour (MPH) through the more remote parts of the State?

MR. MALFABON:

The NDOT uses standard procedures for establishing speed limits. We measure the operating speeds of vehicles in those areas. We look at the numbers of fatalities and crashes, any sort of safety issues. We have looked at Interstate 80 east of Fernley all the way out to Elko. We have identified areas where operating speeds are at 80 MPH, where there are no fatality or crash issues. Those are the areas where we are comfortable establishing an 80 MPH speed limit.

We are going through the process. Part of that is working with DPS and NHP to talk with officers stationed in those areas. We are getting close to implementation; we are just performing due diligence.

SENATOR GOICOECHEA:

How close? Next week? Next year?

MR. MALFABON:

Hopefully in the next few weeks.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

I have a question about Slide 21 of [Exhibit G](#). I would like to understand how you work with the Office of Grant Procurement, Coordination and Management in securing the grants you receive. I also want to know more about the multimodal aspect of your Department.

In addition, on Slide 27 of [Exhibit G](#), you mentioned a cost of \$85 million for the USA Parkway. I thought that was a \$50 million cost. What happened to cause that increase?

MR. MALFABON:

With respect to your first question, we met with the new administrator of the Office of Grant Procurement, Coordination and Management and talked about how we can share information. They need the information on the grants we are pursuing and if we are successful. In addition, we rely on them to increase our awareness of new grants and programs.

Typically, we will look for U.S. Department of Transportation grants. These programs are like what is known as the Fastlane Grant program. Many of the funds we receive are done so by the formula that redistributes revenues to state

DOTs. There will be a lot more collaboration to come with the Office of Grant Procurement, Coordination and Management.

Concerning your inquiry about multimodal travel, one of the things we deal with is the Nevada Fund for Aviation Grant program the Legislature set up with General Fund seed money. That program is very helpful for rural airports and helps them receive Federal Aviation Administration Grants.

We also do a lot with funds received from the Federal Transit Administration. These will typically go to rural transit. That serves many, including the elderly and those who require medical transportation.

As for bicycle and pedestrian programs, we have done a lot more with bike sharing and training younger people on bicycle safety. For rail, that is primarily the use of federal funds to ensure the safety of rail crossings. We enter in to agreements with the railroad authorities to make those improvements.

Concerning your question about the USA Parkway, the initial estimate was given as part of the design build procurement. It was based on technical factors as well as a projected schedule. We combine those two factors for the recommendation. We have added additional costs that are associated with upgrading the existing portions of USA Parkway. There are about three miles of pavement that already was out there. We took it over from Storey County. We have done safety improvements there, which increased costs. We are putting spare conduit for future use along the length of that corridor. This will allow for fiber optic cable in the future.

ASSEMBLYWOMAN CARLTON:

I was curious about the highway north of Beatty. Why is the noise generated by driving on that stretch so unusually loud? What can cause that?

MR. Malfabon:

I think the cause of that is a process called microsurfacing. We lay an asphalt-coated rock chip. It is a bit rougher, and is used to seal the surface of the pavement. Because of its composition, it can generate more tire noise. We are trying to improve the quality of that treatment.

SENATOR PARKS:

Referring to Slide 27 of [Exhibit G](#), there is a reference to the Garnet Design Build. If the developments planned at the Apex Industrial Complex do not materialize or progress as projected, will NDOT defer or delay that project?

MR. MALFABON:

We had submitted a grant application for U.S. DOT funds for that project. We anticipated a need to widen U.S. Route 93. When Interstate 15 flooded, a lot of traffic was added to the large amount of freight traffic that moves on U.S. Route 93. We decided there were additional lanes needed. Therefore, this project is not just for Faraday Future improvements, but also just the movement of freight through that area.

When we begin the process of securing a design build team later this year, we may reexamine the scope of work of that project. It is set at \$50 million because we decided there should be a frontage road along the west edge of U.S. 93 to consolidate the driveways that are already there and anticipated to be there. That led to an unanticipated cost that was not included in that grant application.

It is also an area that is subject to a lot of flooding, and does not have many regional flood control improvements. We are also going to do those improvements as we work on that frontage road. I would recommend that we proceed with that project. We still think those additions are necessary.

ASSEMBLYWOMAN TITUS:

I had a question about Slide 27 of [Exhibit G](#) as well. Do you have any funds to fix the fencing along U.S. Highway 50? That fence is failing and horses are moving closer to the road. It increases the risk for both the horses and the travelers.

You had told me in the past that those repairs are on hold as the road may be widened in the future. I just want to make sure there is a plan to fix that fence.

MR. MALFABON:

Yes. We are anticipating beginning that project in 2018. You are correct in your recollection. We do not want to spend millions of dollars fixing a fence that will have to be moved once we widen the road. We anticipate doing that work as

part of adding a frontage road to U.S. Highway 50. We would move the fence out and construct additional sections.

ASSEMBLYWOMAN TITUS:

The Governor has spoken of accepting a new State park in my district in northern Nevada. Have you considered the increase in traffic that may come with that new park?

MR. MALFABON:

When we assembled this budget last fall, we were not aware of this. We anticipated those costs following his recent State of the State speech. We have to consider how we will pave the dirt roads that access that new recreational area. I think it was a great win for the State to get that property, and we want to make it accessible to the public. It was not included in this budget. I anticipate NDOT playing a large part in that moving forward.

CHAIR WOODHOUSE:

The Committee will now hear the testimony of the Nevada Department of Business and Industry (B&I).

BRUCE BRESLOW (Director, Nevada Department of Business and Industry):

The B&I was instructed to create a flat budget for this biennium. I was surprised to see that the budget for FY 2017-2018 is \$235,000 less than what we asked for in FY 2015-2016. However, I am very proud of the budget that we are submitting for your review today.

I would like to begin with B&I's mission statement. Our mission statement has not changed. We are here to promote the growth and development of business within Nevada while protecting the public through fair and consistent regulation.

I have 14 agencies as well as a number of programs to discuss as part of today's presentation ([Exhibit H](#)). There is the Director's Office as well as a number of divisions. That includes: Financial Institutions, Insurance, Housing, Real Estate, Mortgage Lending and Industrial Relations Divisions as well as the Nevada Athletic Commission, the Taxicab Authority, the Nevada Transportation Authority, the Labor Commissioner, the Manufactured Housing Division, the Nevada Attorney for Injured Workers and the Employee Management Relations Board.

We have 682 approved employees in B&I. There are 27 policy-making boards, commissions and advisory councils. Those boards make for an additional 262 members of B&I.

Slide 6 of [Exhibit H](#) shows where the funding for B&I comes from. Almost 75 percent of our funding for FY 2017-2018 comes from fees. These are collected from industries by the agencies overseeing them. Only 2.65 percent of our funding comes from the General Fund. There are also other small sources, including the Highway Fund, which accounts for 2.44 percent of our revenue. The transfers include interagency transfers, for example, Industrial Relations could supply money to the Attorney for Injured Workers. Most of that category could be included under industry fees as well.

We are moving. In the previous Session, we had a large item that the Legislature approved to move our headquarters. Slide 7 of [Exhibit H](#) is a photo I took last week of our new facility as it is under construction. We hope to begin the moving process February 15. As of an hour ago, the contractor promised me that B&I would receive a certificate of occupancy on February 27. We will start installing cubicles and plan to be moving through the month of March.

Slide 8 of [Exhibit H](#) is an update on the moving timelines. We have a plan for the phased relocation of 11 agencies and programs. This will centralize a good portion of B&I. Moving is very complex; it has to be phased. The agencies are trying to save money in the process by relocating old or unnecessary paperwork and items. We have retention records and other paperwork that will go into archives.

This was initially planned to be a build-to-suit building. Instead, B&I is moving into an existing building. The initial build-to-suit plan included a built-in security system. The plan changed to a four-year lease, which amounts to about \$1.90 a foot; this is about 30 cents under what was legislatively approved. We anticipate coming before the IFC for a security package. Until we move in to this building and talk with Capitol Police about where cameras are needed and things like that, we will be pursuing a smaller security package for a small amount of cameras and monitors, and a single guard.

There is another legislatively approved program from almost six years ago. At this time, the housing crisis was a mess. The Nevada Home Retention Program will be winding down as I promised would happen last Session. This program

was funded by \$49 million from a national mortgage settlement. We have already returned \$35 million of that amount to the State General Fund. Another \$10 million was returned to the Attorney General's Office (AGO) because it was not used to purchase notes. That \$35 million returned to the General Fund has no strings attached.

For 221 mortgages, the cost to the State was \$4 million. We also spent \$1.8 million on debt relief to help the people in those homes. We spent \$1.4 million to allow for the marking down and forgiveness of certain expenses to allow those people to short sell those homes. We spent \$4.3 million for the rehabilitation of 116 vacant homes. All of these notes were purchased through the U.S. Department of Housing and Urban Development. We hired licensed contractors, purchased supplies, secured permits and appraisals to bring these homes up to market standards and sell them to first-time homebuyers.

Therefore, B&I is returning \$45 million of the original \$49 million. When the staff salaries of those involved are taken into account, I feel B&I was a very good steward of the State's money. That program will end very soon; there are four houses up for sale. Three are anticipated to close in the next week, which will leave B&I with just one more home. We will hopefully be closing out program staff at the end of February.

Slide 10 of [Exhibit H](#) shows what B&I's Director's Office does. The office is responsible for administrative support and oversight of all 13 of B&I's agencies as well as all boards and commissions. We provide human resources to assist all agencies. The Legislature had centralized all fiscal, budgetary and collections responsibilities in this office six years ago. The office also performs licensing for financial institutions and the Mortgage Lending Division. The Legislature also formalized and approved the Office of Business Finance and Planning; more information on this will be given later in this presentation. The Legislature also authorized a small Consumer Affairs Unit within this office. We also house Miriam Hickerson, who is our Ombudsman for Minority Affairs.

SENATOR FORD:

Can you talk to me about the staffing you have in that Consumer Affairs Unit or in the Commission on Minority Affairs?

MR. BRESLOW:

There is no staffing at all for the Commission on Minority Affairs. The ombudsman schedules those meetings. We have met with several legislators in the past about this. That Commission loses members regularly because despite their best efforts, they have not been able to deliver the kind of results they want. It would take a staffer who can do research and help them find the details on the issues they are concerned. The ombudsman volunteers her time to help, but there is no direct staff.

SENATOR FORD:

Thank you. I want to follow up on this later.

MR. BRESLOW:

Senator Denis had asked B&I to provide a proposal to establish the Consumer Affairs Unit four years ago. It has been funded through National Mortgage Settlement Funds for the last two Sessions. There is a sunset provision in the law for those funds. The recommendation is to fund this unit through settlement funds.

The AGO does not want to use Mortgage Settlement funds. When B&I was building this budget, we were working with the AGO on a separate settlement related to a large title loan case. At this point, that settlement does not appear to be coming to fruition. We are working with the Governor's Finance Office to provide this Legislature a recommendation. The ultimate decision of whether the Consumer Affairs Unit remains, and how it will be funded, is the Legislature's.

The unit is comprised of seven positions. There are two compliance investigators and two administrative staff in Las Vegas. There is one compliance investigator and a part-time administrator as well as an administrative law judge located here in Carson City. The unit provides problem solving; 93 percent of all complaints are resolved.

Slide 13 of [Exhibit H](#) shows the number of complaints and the amount of restitution the Unit has overseen in 2016. There were 2,065 tracked inquiries from consumers. Referrals from the AGO accounted for 301 of those. Another 858 came by phone. The Internet system provided another 318. Email complaints accounts for 163. There are also complaints received from the Governor's or the Legislature's staff. Walk-ins and the Nevada Fight Fraud Taskforce are two more sources.

The column on the right of this slide will show that 1,300 of that 2,065 were actual complaints. Cases where B&I just provided information to the consumer account for 735. The final 30 remaining involved agency oversight. The Unit recovered \$198,791 in restitution over this period. We are essentially the small claims version of what used to be a much larger agency.

This slide also lists what areas generated those complaints. Product purchases are the top generator; this can be anything from a bad couch to people selling fake makeup in Las Vegas. Auto body shops are our number two. The timeshare industry is number three with 154 complaints generated.

As I mentioned, the decisions to keep this unit around or not and how it is funded are the Legislature's. If the Legislature decides to, we have a BDR that will either sunset the Unit or readjust the funding to make it a permanent fixture in the budget.

Slide 14 of [Exhibit H](#) is an overview of the Office of Business Finance and Planning. This office was formalized in our budget last year. It is responsible for business development, advocacy and small business roundtables. A brochure details the complexities of access to capital hosted on our portal. The deputy director has developed a comprehensive business portal that can answer any question for aspiring or existing businesses in the State.

We produce the Governor's Conference on Business, which is not funded by State money, instead self-funding through donations and ticket sales. This Office also handles bond programs, including industrial revenue and charter school bonds. Since interest rates have been low, these have experienced less activity; you can go to the bank yourself and pretty much receive the same interest rate. With the federal government raising those rates, I expect more activity in this area soon. I have four requests currently in the queue.

There is also the New Market Tax Credit Program the Legislature passed four years ago. That program is slated to conclude in 2020. Our job at this point is to monitor those businesses involved and file reports. Those loans went to 23 businesses in the State. They have created 267 jobs in low-income communities.

We did not have a lot of housing programs at the State level four or five years ago. We were fortunate to receive an amazing administrator who built an

extraordinary team. She has put together a homebuyer program that has assisted more than 10,000 Nevadans in just two years. A representative for U.S. Bank awarded our Housing Division for making Nevada's Housing Division the top in the Nation when it comes to connecting people with affordable housing loans. That is a billion dollars' worth of mortgages.

The Housing Division has also provided financing for 1,600 units of affordable rental housing through tax credit programs. They have created a Website, www.nvhousingsearch.org. There are currently 42,000 rentals listed on that Website. They also recently created a new homebuyer program to help the State recruit and retain K-12 teachers. There is down payment assistance and some other forms of assistance that only go to those teachers who teach, and live, in Nevada.

There are also two new weatherization assistance programs providing energy-efficient improvements that will reduce energy costs for hundreds of seniors and State employees. Another program developed in the last two years has helped more than one veteran every day; that is the Home is Possible for Heroes program. The Division was also recognized by the National Association of Housing Finance Agencies as number one in the country for homebuyer programs.

The Governor's sole highlight in this budget for this year is for the proposed merger of the Housing and Manufactured Housing Divisions. We have a BDR and a bill that will do so. The Manufactured Housing Division needs help. The Housing Division has been lending money to them. Without this merger, we will face some very large fee increases for manufactured housing that target the people who can least afford it. The poor and the elderly mostly occupy mobile homes. Our proposed solution would leverage inspections, compliance and consumer service efficiencies by pooling the staff of these two Divisions together. Compliance and inspection personnel of both agencies will be merged. It is smart government; the Governor's Office, the State Budget Office and our staff have been working on simplifying the complex process of combining the different budgets and revenues.

Last Session, a State senator opposed this merger because there was nobody that the occupants of the manufactured homes could call. That senator was worried it would mean less support for those occupants. I promised him I would create a new Housing Advocate position that is funded by Agency revenues.

This position would be housed in the new agency to take calls from people in low-income housing. If a property owner triples rent without offering a reason why, or if someone is evicting large swathes of individuals, there will be someone to call. This new position is the sole source of increased funding for this merger.

The Housing Division is proposing two new grant programs. They secured a \$3.4 million a year grant from the National Housing Trust Fund and HUD Section 811, Supportive Housing for People with Disabilities Program grants. These are low-income housing grants. They have also secured \$1.5 million a year through the Governor's Office of Energy. This grant continues a program that provides energy efficiency assistance for seniors and State employees. The B&I is requesting a grants projects analyst position funded by these new grants.

The Manufactured Housing Division has its own identity. The administrator of that Division is here today. He does a fantastic job; he has upped customer service satisfaction tremendously in the middle of the loss of numerous staff. It has been difficult to find the right kind of people to help service those who live in these homes. He has been working with the Housing Division and the Governor's Office on the merger I mentioned previously. He was the Chief Assistant of the Housing Division and was moved to Manufactured Housing around a year ago to clean up and improve that Division. He has done so. Without the proposed merger, he is facing a tough decision to raise fees significantly in order to make his budget whole.

Slide 19 of [Exhibit H](#) is an overview of the Real Estate Division. The administrator is also here today. He also came to Real Estate from the Housing Division. The Real Estate Division has seen a dramatic increase in licensees. The graph on this slide shows the growth that has occurred from FY 2011-2012 to FY 2015-2016. Licensees have followed the recovering market and have grown from 37,000 to almost 43,000 in that period.

Slide 20 of [Exhibit H](#) shows that the staffing in this Division has not grown to match that increase in workload. Between 2008 and 2012, the part of the Division funded through the General Fund went from 29 employees to 17. Through the efforts of our administrator and our team, this Division has improved customer service.

Last Session, the Legislature approved the continuation of 5.4 FTE positions through temporary funding. These were funded by mortgage settlement dollars. As mentioned previously, we are trying to wean off those settlement dollars as a source of funding for our agencies. The Governor's recommended budget uses General Fund money to make these positions permanent. Even with these positions, staffing is still well below 2008 levels.

Those positions form the consumer assistance group. There are 2 compliance and auditor investigators and 3.4 FTE for administrative staff. The pictures on the bottom of Slide 22 of [Exhibit H](#) show the different types of real estate in this Division's purview. There are common-interest communities, including condominium hotels and homeowner associations (HOAs). There are 3,164 HOAs in Nevada, a figure that is growing. There are more than 523,000 units in these HOAs. We also have licensed 731 community managers.

The middle picture on that slide is for projects. When subdivisions need approval for builders, the Division has the authority to use an expedited service fee. Developers can opt to use this to help spur the economy. We have had a 350 percent increase in permits issued due to the recovering economy. The Agency has licensed 6,417 timeshare salespeople and issued 287 permits. They also handle appraisals, audits, inspections and real estate. Half of the division is self-funded. That corresponds to the HOA side. The other half is funded through the General Fund.

Next for discussion is the Division of Mortgage Lending. Our commissioner here has a background in banking. We had lost our previous commissioner and our deputy over a 30-day period. Our new staff has been on the job for about two months.

This Division protects the public from predatory lenders. They also regulate mortgage servicers; a new responsibility added in the last year. Typically, these are very large companies. Some of them have 19,000 loans in their portfolio. These can be billion-dollar companies. Assembly Bill (A.B.) No. 480 of the 78th Session allowed us to regulate out-of-state servicers. The financial condition of this Division is now solid.

Phase 1 of regulating these out-of-state servicers was the hiring of two mortgage lending examiners. We went before IFC as the reserves built from the new fees these servicers paid. They have been hired. Phase 2 is a request

for an additional mortgage lending examiner to work on the licensing of servicers. That is included in the budget for FY 2017-2018.

A recent Legislative Counsel Bureau (LCB) audit of this Division resulted in some recommendations. On the mortgage banking and brokerage side, the Division could not keep up with statutory obligations of auditing every company. This is why there is a request for two additional mortgage lending examiners to facilitate the workload of this area. There are 43 new brokerages licensed in the State with 40 more applicants currently in the licensing process. In the past, we could not audit these servicers without a complaint filed.

There is a new chair for the Nevada Transportation Authority (NTA). She came to this position from the Public Utilities Commission of Nevada. The NTA regulates transportation and the taxi industries, except in Clark County. This includes buses, limos and household goods movers. The NTA performs vehicle safety inspections, completes background investigations and licenses drivers.

Last Session, the NTA was given the mission and authority to implement a program that regulates transportation network companies (TNC). There are 42,000 registered TNC drivers now. That industry has grown in leaps and bounds. The enforcement staff for this has been on board for less than six months. However, 34 percent of citations and 30 percent of impounds arise from TNCs.

Slide 25 of [Exhibit H](#) details the funding and staffing required for TNC regulation. That funding came from an assessment of the TNCs. The TNCs are companies like Uber and Lyft. There is also a smaller TNC, Get Me. Through that assessment, B&I hired a supervisory compliance enforcement investigator, two other enforcement investigators, two audit investigators, a legal researcher and a management analyst. They are currently hiring an IT professional. Our request in this budget is for two additional compliance enforcement investigators; one added for each year of the biennium. These will be funded by the assessment paid by TNCs.

The next Division for discussion is the Taxicab Authority. The Authority regulates taxis in Clark County. They perform the duties of the NTA concerning taxicabs in that county. Licensing, inspections, compliance and enforcement are all under the purview of the Authority. While TNCs have exploded in popularity, the number of riders in taxicabs has decreased. There have been 4 million fewer

rides. That is a 15 percent drop-off. These drop-offs are expected when TNCs arrive in a state or major city. There is a section of the market that has switched entirely to TNCs.

The Taxicab and Transportation Authorities are self-funded. When one gets busier, it needs more people to function. That corresponds to the NTA. For the Taxicab Authority, their funding went down 15 percent. We are recommending a workforce reduction. The NTA has a self-funded staff of seven positions, all of which are currently vacant. There is a new chair for this Authority that has stabilized this commission and made it more transparent.

The Nevada State Athletic Commission's (NSAC) goal is the health and safety of fighters. The NSAC provides a level playing field for all combatants. The NSAC is a recognized world leader in regulating unarmed combat sports. The NSAC does not just host large or amateur events. They are in charge of worldwide events that generate a lot of attention for Nevada.

The Executive Director of the NSAC is with us via teleconference from Las Vegas. He is about to tell the Committee that Floyd Mayweather is leaving retirement to fight mixed martial artist Conor McGregor in a boxing match. If he could make that fight happen in Nevada, we would really appreciate it.

BOB BENNETT (Executive Director, Nevada State Athletic Commission):
That is definitely one of our goals. There is whole litany of situations pending for that fight. It will hopefully come to fruition.

MR. BRESLOW:

Conor McGregor gave a press conference today in which he said he is intending on returning to Nevada and squaring up with the NSAC's fines against him. He wants to be licensed to box in the State. We are hoping that will be a \$5 million fight that will take place in Nevada.

The NSAC has also worked for the last several years on regulations for in- and out-of-competition drug testing. There is a request of \$309,600 for each of the fiscal years of the 2017-2019 biennium for this drug-testing program as well as the research, seminars and training associated with its implementation.

We have one TIR request in all of B&I. It is for \$149,517 to automate the NSAC's manual administrative systems. Right now, this whole system is run on

pen and paper. This applies to boxers, judges, promoters and all others. We need to work with them to establish systems to move on to a paperless system.

Mr. Bennett's matchmaking has provided NSAC the revenue figures the Committee will see at the bottom of Slide 28 of [Exhibit H](#). The NSAC's first year as a self-funded agency provided \$1,477,692 in gate fees. That is without any Floyd Mayweather fights. They also contributed \$5,041,720 to the General Fund. Moving NSAC to self-funding not only provided enough funding for NSAC, it grew the reserves of the General Fund. We came before IFC recently to request additional staff for the implementation of that new drug-testing program. Five people were handling all of these special events. These events typically occur on weekend nights and across multiple properties on the same date. A staff of five was proving insufficient. We want to provide NSAC with the support they need so they make more fights and thus, more money and recognition for the State.

The next agency in this presentation is Industrial Relations. Industrial Relations runs the Nevada Occupational Safety and Health Administration (OSHA) programs, and is often identified as OSHA. Industrial Relations also provides safety consultation and training which is referred to as "STATS". Mine safety and workers' compensation are also included in Industrial Relations' purview.

Industrial Relations provide access to the 81,500 employers and 1.1 million employees that make up Nevada's workforce. The Mine Safety and Training Section is an amazing group that has assisted 2,051 mine operators by providing training to 31,000 mining-related employees. In their spare time, they help the U.S. Marine Corps with their Mountain Warfare Center. We receive thanks from the Corps for the work Industrial Relations does.

There is a BDR that will help Industrial Relations conform to certain federal requirements. The Committee members will hear more about this in the subcommittees.

Barbara Richardson is the Commissioner of the Division of Insurance. This Division has a massive mandate to work with an industry that is ever changing. The Division has put together an omnibus bill, as was procedure in the past. That bill was so large that LCB's legal counsel broke it into four separate BDRs that are separated by the subject they govern.

The Division negotiated lower rates for Nevada in an environment in which most states have faced rate increases. They have limited the amount of increases. The ACA landscape is subject to change again. We have no idea what those changes might entail. We anticipate those changes to occur in the next year or so. We have also added a position to help with the regulations, consumers and legislators involved in the process. We saw a need to establish a point of contact for the many insurance brokers in the State.

Slide 31 of [Exhibit H](#) is details about the Labor Commissioner. The Office of the Labor Commissioner educates employers and employees regarding their rights in an effort to promote the growth of business in Nevada. Our Commissioner has a tremendous success rate with hearings. She was able to win numerous high court decisions in the last year.

The Governor is recommending the transfer of the State Apprenticeship Council over to DETR. That is why the Council is not mentioned in our budget this year. The Office of the Labor Commissioner also collected \$68,000 in wage claims for Nevada's employers this year. I had been curious about the split between decisions in favor of the employee versus those in favor of the employer. I found it to be split exactly down the middle. I think this indicates the lack of bias of the Office. Some of those cases can be quite complex.

Our longest-tenured commissioner, George Burns, runs our Division of Financial Institutions. This Division maintains a system that protects consumers and defends the public interest. Mr. Burns is very aggressive to defend the public.

There are two BDRs for this Division. The first, [BDR 55-162](#), would allow family trusts reciprocity. This issue surfaced on the last day of the previous Session, which did not give the Commissioner enough time to look at the companies that were seeking reciprocity with Nevada. We worked with the sponsor of that bill to carry these ourselves this Session.

BILL DRAFT REQUEST 55-162: Revises provisions relating to foreign trust companies. (Later introduced as [Assembly Bill 61](#))

This BDR will allow family trusts businesses in Nevada to be licensed, and conduct business in, other states and vice versa.

Another BDR is scheduled for hearing next week. This one, BDR 55-163, is very important to Nevada.

BILL DRAFT REQUEST 55-163: Revises provisions relating to savings and loan institutions. (Later introduced as S.B. 81)

The State used to have savings and loan associations on the books; we have not had any in a while since the collapse of the industry. We are making an effort to convert the statute that governed those associations to one that governs savings banks.

Savings banks would allow some very large financial institutions with national charters to become State-chartered banks. It would change the banking landscaping of Nevada and draw more to southern Nevada. This BDR would tweak the statute that used to cover savings and loans associations to create savings banks, which will mirror the federal requirements for savings banks.

The Nevada Attorney for Injured Workers (NAIW) is administered by Evan Beavers. The NAIW defends the rights of employees who have had their medical rights denied. Their services are made available to employees free of charge, and many people are unaware of this agency and its purpose. The NAIW defends injured workers. They secured \$6,958,000 in benefits for injured workers through the appeals process. They had 1,061 new cases in 2016, of which they won 571.

Slide 34 of [Exhibit H](#) highlights the State's smallest agency, the Local Government Employee Management Relations Board. Bruce Snyder and his executive assistant are the entire agency. There are also three commissioners who are appointed by the Governor. Mr. Snyder built and standardized the policies, procedures and systems that allow us to get through cases in a timely manner. They resolved 33 cases without Board intervention. They work with local government and public employee unions through the collective bargaining and dispute resolution processes. They had some very big cases in Clark County this past year.

ASSEMBLYMAN ANDERSON:

I had a question about the Nevada Home Retention Program. If I understand the numbers correctly, this program began with \$49 million in mortgage settlement funds. Today, you showed a \$35 million return to the General Fund, with

another \$10 million being returned to the AGO because it was not utilized to purchase notes. That leaves \$4 or \$5 million that is still unaccounted for. Are there continuing assets waiting to be sold or does this money represent the cost of the program?

MR. BRESLOW:

That amount is for costs. During the four years of the program, they were paying employees. They also spent \$1.8 million in mortgage debt forgiveness, \$1.4 million for short sales and \$4.3 million to rehabilitate 116 homes.

As the program closes out, there will be a small amount of funds left over. I would prefer to leave that in the nonprofit. The program is a nonprofit, not a State agency. I would leave it there so we can continue to do housing programs for those who need it. It could be spent on housing summits. It gives the State some options. It could be returned to the General Fund or to the AGO. Most of our programs hand out money; I am proud that we created a revolving fund that returned \$45 million to the General Fund after 221 resolutions.

ASSEMBLYMAN ANDERSON:

I did not mean to discount the program. I was just unclear on where that money went. Please provide the specific numbers to staff.

MR. BRESLOW:

Absolutely. Those reports are done every six months and they are audited. That information will be forthcoming.

ASSEMBLYMAN ANDERSON:

You had shown 42,000 drivers working under the TNCs. Do we know how many licensed taxi drivers there are?

MR. BRESLOW:

There are about 8,000 taxicab drivers. The TNC drivers are part time for the most part. There are only a handful of full-time drivers. The TNCs' systems are designed for drivers to make some extra money using their own cars. There is also some overlap; some drivers work for multiple TNCs. That figure does not indicate 42,000 individual drivers.

ASSEMBLYMAN ANDERSON:

The 15 percent reduction in revenue for the Taxicab Authority is simple to understand. What we do not know is if the market for TNCs has grown to match. Do you know how many rides TNCs produce?

MR. BRESLOW:

I do not have an exact number. I will have the respective agency heads confirm that total number of rides for you.

ASSEMBLYMAN EDWARDS:

I would like more information about the difference between the savings and loan associations and savings banks before the next subcommittee.

MR. BRESLOW:

That information will be available by the time that bill is heard, which is next week. Mr. Burns is also available right now for a short answer.

GEORGE BURNS (Commissioner, Financial Institutions Division, Nevada Department of Business and Industry):

The difference between the two is that there is a limit to the commercial amount of lending that a savings bank can do. In addition, the ownership is different concerning shareholders. There are also differences in the corporate structure.

We do not currently anticipate any competitive issues with either of the State's commercial banking or the savings and loan industries. They are both in support of this modernization, and this bill.

ASSEMBLYMAN OSCARSON:

I wanted to talk about the Manufactured Housing Division. You are aware of the challenges we have had, with rural areas especially, with the few installers we have left. I am confident the restructuring will smooth some of those out and allow us to reach out to those people in the rural areas with equitable business solutions.

MR. BRESLOW:

We are very understaffed when it comes to getting out to some of the more rural areas. We use contractors when possible. This merger will allow us to cross-train everyone. If there is a big convention downtown that requires more

people, or an event like Burning Man, where we have to inspect every temporary structure, we will have the flexibility to be able to assign more or less people as tasks require.

ASSEMBLYWOMAN SPIEGEL:

I had questions about the transfer of the Apprenticeship Council to DETR. What was the genesis of that decision? How have outreach efforts been going? I would like more information.

MR. BRESLOW:

That request came from Dale Erquiaga at the Nevada Governor's Office. Our labor commissioner would be happy to meet with you to discuss this.

ASSEMBLYWOMAN CARLTON:

I had more questions regarding TNC drivers. At the end of the last Session, I was involved with a number of calls dealing with these drivers with you, Mr. Breslow. We were trying to address the issue of insurance. We had people driving with no insurance products that were available. I shared my concerns with you then.

I would like to know where this issue is today. I am hoping there is an insurance product now, and would like to know what the verification process on that is. I want to make sure these TNC drivers are carrying the appropriate amount of insurance.

MR. BRESLOW:

I agree. We were both in meetings where the TNC industry promised to bring such a product forward. I would like to bring our Commissioner of Insurance, Barbara Richardson. I know nobody has been out of compliance, but is there a product that has been developed for Nevada TNC drivers?

BARBARA RICHARDSON (Commissioner of Insurance, Nevada Department of Business and Industry):

Yes. Four different companies are offering the required coverage for TNC drivers. The TNC companies provide the commercial products to support it.

ASSEMBLYWOMAN CARLTON:

What about the verification process? I have to make sure my insurance stays current. I want to know what process is in place to make sure these drivers do so as well.

MS. RICHARDSON:

The commercial insurance product always covers the drivers themselves. There is the noncommercial product for when they are driving on their own dime and time. That product was developed separately.

MR. BRESLOW:

The DMV still has to check all insurance policies. They do so using a computerized system on a daily basis. If a TNC driver buys one of the policies you asked for, those policies fill the entire gap. They do not need their old insurance. They are covered on the commercial side by the TNC company, which replaces their traditional insurance. The normal DMV process is how it is verified.

ASSEMBLYWOMAN CARLTON:

I need more information on this. The discussion that ran through the last Session was that these policies would not affect personal insurance. It seems to me that these drivers are using a commercial product while they are driving privately. Am I misunderstanding? When they are driving personally, do they have a different product than when they are driving commercially?

MS. RICHARDSON:

Yes.

ASSEMBLYWOMAN CARLTON:

How do we verify the commercial product?

MS. RICHARDSON:

In order to be registered as a TNC drivers, the TNC company themselves have to provide coverage. The drivers have to purchase through the company to maintain their certification.

ASSEMBLYWOMAN CARLTON:

How do we verify that?

MS. RICHARDSON:

We would have to work with the TNC companies to give you the answer. They are commercial policies.

ASSEMBLYWOMAN CARLTON:

That is my concern. I have a constituent who was burned on this and ended up having an insurance problem. I want more information on this as it goes further.

About the merger of Manufactured Housing and Housing Divisions, I am concerned about the lot rent subsidy budget and how we make sure it stays segregated. I do not want people to lose that subsidy. I want to make sure it stays separate and is not merged into a separate budget account. I want the subcommittee to look into this.

MR. BRESLOW:

I understand. That subsidy was almost discontinued last fiscal year. The Housing Division has had to lend Manufactured Housing money to keep it solvent. Merging will make that subsidy stronger. We would not have had the funds to keep that subsidy without additional loans. Part of the merger is giving items like this more resources through the Housing Division. It would not be in jeopardy.

ASSEMBLYWOMAN CARLTON:

My concern is an accounting one. The more budgets we put together, the less detail we get. The more we delineate, it becomes easier to know what money goes where.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

My question is regarding the Consumer Affairs Unit. I am interested in what the ombudsman's report looks like. I would like to hear more about the timeshares and the number of cases brought against them. On the business and finance side, if you could expand on the new market tax credit program and its results. I would like more information on these topics in subcommittee.

MR. BRESLOW:

We will do so.

CHAIR WOODHOUSE:

The Committee will now hear testimony on the Distributive School Account (DSA) and K-12 budgets from the Nevada Department of Education (NDE).

STEVE CANAVERO (Superintendent of Public Instruction, Nevada Department of Education):

The NDE and the State Board of Education are grounded by two fundamental conclusions. The first is that Nevada's students are as capable as any student in the Nation is. Our children, across the State, can achieve at high levels and compete with any student globally. The second conclusion is that our students deserve the opportunities in life that stem from a quality education.

We used to frame this in the language of achievement gaps; the difference in academic achievement between different groups of students. Over the last year, we spent a lot of time talking about what this actually means. We have reframed it as an opportunity gap; does our academic preparation we provide students offer them the chance to seize the opportunities in life they deserve?

In particular, we are talking about opportunities as economic ones. Job prospects, livable wages and satisfying careers. This has become how we frame the work, and we believe this budget shows these principles to the State.

Slide 2 of our presentation ([Exhibit I](#)) attempts to show the Committee the longitudinal K-12-to-post-secondary education experience our students have. The top visual shows the demographic breakdown of our student populations. Our student population is 42 percent Hispanic, 34 percent Caucasian, 10 percent African-American and a handful of other demographics.

The next few graphs show information about our population's performance on some key educational gateways. These gateways are the 3rd, 8th and 11th grades. There are 46 percent of our students who are reading at the corresponding grade level in third grade. That figure drops to 33 percent at eighth grade. At the 11th grade, 18 percent of students are scoring at 22 or higher on the ACT.

The figure I would like to draw the Committee's attention to is that 68 percent of 11th graders seek post-secondary education. The ACT is administered to all students across the state during their 11th grade. We are in the third year of statewide administration of the ACT. During that process, students have the

opportunity to express their own desires on the test. What we have seen is a big gap between the level of their aspirations and their preparations.

The graphs on the bottom of Slide 2 of [Exhibit I](#) provide information about Nevada's institutions. The amount of students enrolling in post-secondary education amounts to 46 percent of the total population of students. As for post-secondary graduation, 5 percent of students graduate from Nevada State colleges in four years, and 18 percent do so in six years. These graphs show how each particular demographic of students performs in all of these categories.

These graphs capture the challenges before us. We must ensure that the opportunity gaps our students face are all closed. We must make sure our children are adequately prepared. We believe the budget we present the Committee today is representative of these goals and the strong work we have done in pursuing them.

Slide 3 of [Exhibit I](#) shows 17 circles that surround the core mission of improving Nevada's schools. Those 17 circles represent the various programs involved in that goal. Some of them are new, others are old. Titles I, II and III of the Elementary and Secondary Education Act are represented in the far left corner of the slide; those programs have existed longer than my tenure, and that of many in attendance today, I think.

When we look back at the investments that have been made in education, we see roughly \$350 million for FY 2015-2016 and FY 2016-2017 in new funding. That is on top of the \$50 million received for the Zoom Schools program in 2013. The budget we proposed for the 2017-2019 biennium maintains that investment and adds roughly another \$120 million. All told, there is almost \$800 million in funding for schools this coming biennium when combined with K-12 funding approved for 2015-2017 biennium.

The reason why some of the circles on Slide 3 of [Exhibit I](#) are colored are to show the seven programs the 2015 Legislature mandated for external evaluation. I have the opportunity to present to the Committee the results of our work. Our district partners will bring their results too. We also have the third-party evaluation of those programs. The programs colored green are recommended for further funding. The orange program is recommended for further funding with additional monitoring. I will talk about that program later in the presentation.

Slide 4 of [Exhibit I](#) shows NDE's vision and mission statements. Our vision and mission statements have stood the test of time. The only change made is the insertion of the word "global" into the vision statement. This recognizes that tomorrow's world that our children will operate in will be a global world. It will not be isolated to the State, or to the West.

The State Board of Education, in December 2016, adopted a new five-year strategic plan. They have established what I consider a right and audacious vision for the State. Over the next five years, we aim to have Nevada be the fastest-improving state in the Nation. Other states have claimed this title. I believe Tennessee was one, as was Louisiana. We think we are well positioned to achieve this goal.

The NDE, under its federal plan and its Every Student Succeeds Act plan, is aligning all of its work. The first of those three core strategies at NDE are related to principals and ensuring they are strong instructional school leaders. The second is leveraging data to inform decisions affecting policy. The third is to identify and improve our lowest-performing schools.

Slide 6 of [Exhibit I](#) shows NDE goals for achieving that five-year plan. These benchmarks align with our performance measures and our budget. There are two items I want to mention. The first is information about the process we used to drill down to these goals. We canvassed every district's strategic plan and every school's performance plan.

Every school is required by statute to submit a school performance plan that acknowledges what is important to them and the gaps that they have. We look at that information to determine where the existing five goals that NDE has aligned with district and school goals. The one area that we had a lack of alignment on is represented by the new goal; to provide all students a safe and respectful learning environment.

The goals are: 3rd grade literacy; middle school preparation for high school, college and career readiness in high school; and the additional goal previously mentioned of providing an environment that is physically, emotionally and intellectually safe. That last one is a goal that most schools had that was not represented in the NDE goals; it is now.

I would like to bring forward Deputy Superintendent Roger Rahming, who will begin the presentation on the DSA budget, B/A 101-2610.

EDUCATION

K-12 EDUCATION

NDE – Distributive School Account — Budget Page K-12 Education-14
(Volume I)
Budget Account 101-2610

ROGER RAHMING (Deputy Superintendent, Business Support and Services Division, Nevada Department of Education):

The B/A 101-2610 includes basic support for school districts and charter schools, special education, a class-size reduction program and the transfer of full-day kindergarten from B/A 101-2615.

NDE – Contingency Account for Special Ed Services — Budget Page K-12
Education-28 (Volume I)
Budget Account 101-2615

Each Session, the Legislature determines the level of basic support for school districts and charter schools through the Nevada Plan. I want to provide the Committee a picture of what that plan is. A guaranteed amount of basic support per pupil is calculated for each school district and is established in law.

There is shared funding between the State and the school districts for the Nevada Plan. The State funds through the DSA, and the school districts through local revenues: sales tax and a portion of property tax. It is important to understand that if the local revenue comes in lower than projections that difference is made up in the State's share. That is the guarantee. It is an important part of school funding, but not the only one. This presentation will inform the Committee of those other layers and pieces of funding.

Slide 11 of [Exhibit I](#) is a pictorial representation of the Nevada Plan. The top ellipse represents the Nevada Plan. The Committee can see the intersection of the State's share, the local revenue and non-Nevada Plan funding. As that local revenue changes, the State's share will expand or contract to meet the guarantee. The left side of the slide shows the major components that make up

the State's share; the General Fund money being the most important. The funds from the State medical marijuana and the proposed funds from recreational marijuana are included too. There is the slot tax and the room tax. A small part of that room tax comes into B/A 101-2610.

The third piece, that funding from outside of the Nevada Plan, the largest part of that is the portion of property taxes that goes to the school districts. Government services taxes, like DMV taxes on car registration, are included here too. I want to reiterate how important it is to understand how the State's share expands and contracts in reaction to the amount given in the local share. That process happens at the end of the August. We get final numbers from the Department of Taxation.

The guaranteed funding from local sources comes from the Local School Support taxes (LSST) and ad valorem property and mining taxes. Slide 13 of [Exhibit I](#) show the actual and projected values of the LSST for 2016 and the coming biennium respectively. The LSST revenue is expected to increase 5.96 percent from 2016 to 2017, followed by a 5.39 percent increase from 2017 to 2018, and a 5.06 percent for 2018 to 2019. If the actual values are less than these projections, that difference is made up by the State.

Slide 14 of [Exhibit I](#) shows the local funding that will come from ad valorem property and mining taxes. There is essentially a flat level of growth from 2016 to 2017. For 2017 to 2018, there is a 2.96 percent increase. For 2018 to 2019, we anticipate a growth of 5.86 percent.

Slide 15 of [Exhibit I](#) shows new funding sources for the State's share included in the Governor's recommended budget for the coming biennium. There is recreational marijuana and the fees, excise taxes and retail taxes associated with it. We anticipate about \$40 million for FY 2017-2018 and \$50 million for FY 2018-2019 from these sources.

Decision unit E-130 extends the transfer of the Initiative Petition (I.P.) 1 of the 75th Session room tax revenue, including interest, to the DSA through the 2017-2019 biennium.

That transfer is from B/A 101-2617. It is \$22 million in revenue for FY 2017-2018 and \$3.5 million in FY 2018-2019.

NDE – State Supplemental School Support Account – Budget Page
K-12 Education-32 (Volume I)
Budget Account 101-2617

The balance of funds from I.P. 1 of the 75th Session dollars will be transferred to B/A 101-2699 to support educational programs such as Zoom and Victory. I will explain this further on in the presentation.

NDE – Other State Education Programs – Budget Page K-12 Education-19
(Volume I)
Budget Account 101-2699

Slide 16 of [Exhibit I](#) is a graph showing enrollment growth. We are looking at an enrollment growth of 1.05 percent for FY 2017-2018 and 1.25 percent for FY 2018-2019. These numbers came from collaboration with State economists and demographers. Decision unit M-200 shows the financial impact of that enrollment growth.

M-200 Demographics/Caseload Changes – Page K-12 Education-14

Enrollment growth creates a fiscal impact of \$34.8 million in FY 2017-2018 and \$70.3 million in FY 2018-2019.

Section 11 of S.B. No. 508 of the 78th Session removed the requirement that pupils enrolled in kindergarten be counted as 0.60 of a full pupil for apportionment purposes. That change is effective as of July 1, 2017. Moving forward, those kindergarten pupils will be included in the regular reporting just like pupils enrolled in Grades 1 to 12. They will be counted as a complete pupil. This is the beginnings of the full-day kindergarten implementation.

Something that has been in place for the last few years, but was a major change to the way enrollment was counted upon implementation, is the use of average daily enrollment. We used to calculate support per-pupil using “count days”, which was the last day of the first month of the school year. That figure would be certified around October or November. Senate Bill No. 508 of the

78th Session changed that calculation to be derived from a weighted count average of enrollment for the quarter.

In the previous structure, there were eight months for certification of enrollment. Now, there is less than six weeks to certify the enrollment. I wanted to bring this to the Committee's attention as it does cause a little difficulty for both NDE and the districts to provide this data in that shorter amount of time.

Slide 20 of [Exhibit I](#) details the hold harmless provision of NRS 387.1233. This provision protects school districts and charter schools during times of declining enrollment. The current provision means district and charter schools are paid on the quarterly amount, unless that amount is 5 percent or less than the previous quarter. If that occurs, they will receive funding for the higher of either the current or previous year's quarterly enrollment.

This is a large departure from what the hold harmless provision was prior to 2016. At that point, if enrollment was at least 5 percent less than the previous year's, the funding was based on the greater count day figures of the previous two years. That is a drastic change in the provision. The hold harmless provision had a fiscal impact of \$7.1 million for FY 2015-2016. That money was primarily given to charter schools. Nevada Virtual was the biggest recipient on the charter school side.

When compared to FY 2014-2015, hold harmless had a price tag of \$17.8 million. Charter schools received 76 percent of that figure. One Nevada Virtual Academy charter school received around \$10 million.

Built within the budget is a 2 percent roll up for teacher and staff salary. This is estimated to cost \$51.1 million in FY 2017-2018 and \$103.7 million in FY 2018-2019. Decision unit M-300 deals with benefit adjustments. This will have an impact of \$10 million in FY 2017-2018 and \$21.9 million in FY 2018-2019. The largest component of that is health care cost increases. There is a 3.6 increase for FY 2017-2018 and 4 percent increase in FY 2018-2019 for that.

M-300 Fringe Benefits Rate Adjustment — Page K-12 Education-14

Slide 24 of [Exhibit I](#) shows a breakdown by category of costs for decision unit E-710 for equipment replacement. This equates to around \$41 million for each

fiscal year of the 2017-2019 biennium. The largest part of that is for the replacement of transportation equipment, followed by computer hardware replacement.

E-710 Equipment Replacement — Page K-12 Education-16

All of those expenses mean that the guaranteed basic support per pupil has increased from \$5,774 in FY 2016-2017 to \$5,900 in FY 2017-2018 and \$5,967 for FY 2018-2019. Slide 25 of [Exhibit I](#) shows that upward trajectory. So many components go into that calculation that we thought it was important to show the total number first.

Slide 26 of [Exhibit I](#) is a graph showing per pupil funding from both the guaranteed basic support and the categorical expenditures. It is meant to show the growing investment from those categoricals. Those categoricals are expended on specific populations within the school district. The Committee will see how those have increased.

I took these numbers and divided them by basic enrollment to get an equal figure. Even though special education and other programs target specific schools or populations, I wanted to show the overall arc of growth. In 2014, there was about \$950 per child in categorical spending. We project a figure closer to \$1,500 for 2019.

Prior to 2016, special education was funded on a unit base. In 2017, we saw a substantial increase in the amount of dollars, but this took place as we were converting to using weighted averages. For 2018 and 2019, we see a similar increase in dollars invested. That is the result of a combination of caseload increase as well as a \$10 million increase in 2018 and \$20 million increase in 2019.

MR. CANAVERO:

Senate Bill No. 508 of the 78th Session provided a policy mechanism to transition special education from a unit base to a weighted average. Senate Bill No. 515 of the 78th Session outlined the funding. We made that transition in 2017. There were a number of provisions in S.B. No. 508 of the 78th Session. One was a 13 percent cap on the number of students. That percentage is the rough average of special education enrollment nationwide.

There were also a number of provisions to ensure that no district received less funding than they had previously. These were maintenance-of-effort provisions. One was expressed in outright dollars. The other converted FY 2015-2016 special education enrollment to a weight and multiplying it by the amount of eligible students in FY 2016-2017. Whichever of those two figures was higher provided the base amount of funding for that district. The average statewide weight, which represents additional investments for a particular student, was \$3,034. The per-pupil funding range changed dramatically district-to-district when expressed as per-pupil. Eureka County was figured to spend \$9,090 a student while Clark County spent \$2,968.

Budget Account 101-2610 includes an increase in special education. There are two primary reasons for this. One is the growth in enrollment. The other is decision unit E-280 which adds \$30 million over the 2017-2019 biennium to continue to invest and grow the funds for special education students.

E-280 Educated and Healthy Citizenry — Page K-12 Education-16

The process we propose using to allocate that money has two fundamental provisions. The first is to make an adjustment based on inflation. Recognizing that there is a difference in where certain districts are funded, for example, the \$9,090 per pupil spent in Eureka compared to the \$2,968 in Clark, we will make an adjustment based on inflation to all districts. We base that amount on the 2 percent roll up for teacher and staff salaries that is based on inflation. It makes sense to include that 2 percent increase in special education funding as well.

The second provision would take the delta, which is the available dollars remaining following the inflationary adjustment, and allocate that amount to the school districts with the lowest per-pupil spending ratio. We will build the bottom up. We have a budget bill to clean up some language in NRS 395 regarding the Special Education Contingency Account. We maintain \$5 million in that account that school districts apply for if they have a particular case of, for example, a high-cost rare disability in their district. The account is there to help defray those costs. That account was included when we transitioned to the weighted calculations last biennium.

MR. RAHMING:

Class-size reduction (CSR) has been a long-standing program. We have funded over \$3 billion for CSR over its history. There will be \$150 million for CSR in FY 2017-2018 and \$154 million for FY 2018-2019.

Slide 31 of [Exhibit I](#) shows the student-to-teacher ratios embedded in this budget. For Grades 1 and 2, that ratio is 17-to-1. For Grade 3 it is 20-to-1. For alternative programs, which are for smaller districts with less than 100,000 in population, those ratios are 22-to-1 for Grades 1 through 3 and 25-to-1 for Grades 4 through 6. Every spring, districts have the ability to choose between the two programs if they qualify.

For FY 2016-2017, five districts use the regular CSR program: Clark, Esmeralda, Lander, Lincoln and Washoe. The remaining 12 districts use the alternative CSR program.

MR. CANAVERO:

I want to bring two things to the Committee's attention. The first is that the State received an audit of the CSR program at an IFC meeting. The NDE accepted both the recommendations of that audit. One was focused on reporting and the other was about reconciling our books in a timely fashion so we can more quickly assess whether funds need to be returned.

The table on Slide 33 of [Exhibit I](#) show the amount of waivers by quarter. The State Board of Education adheres to these waivers for the CSR program. They have made their intention to reduce the amount of waivers for the lowest-performing schools. The districts have responded. Although 67 percent of all schools have a waiver, only 31 percent of underperforming schools request the CSR variance. They are being responsive to that intention that CSR variances should not be claimed by underperforming schools.

SENATOR KIECKHEFER:

I have made a comment like this in the previous Session. I think including that 2 percent roll up for salary increases as an addition to the base budget buries that \$150 million in new expenditures. There is no decision unit for it. That drives me crazy.

MR. CANAVERO:

We have been working with Fiscal Staff to ensure that this is called out as a way to make sure we can discuss it.

SENATOR KIECKHEFER:

I appreciate that. I appreciate you highlighting it earlier in [Exhibit I](#). The second concern I have regards the special education allocations and that 13 percent cap. When that was presented last Session, it was really highlighted as a means to let the Governor know which districts that overidentify students into this category. I know you base that cap on a national average, but other states use different caps. I think that 13 percent is an artificial number at this point. I worry about the legality and constitutionality of it. I also worry about the justice of saying to a student that we are sorry the value of your education is half of what the last kid was because your district has hit that cap. Have you thought about reevaluating that cap and either adjusting or eliminating it? It is not necessarily reflective of what districts are experiencing.

MR. CANAVERO:

That cap has been the subject of a lot discussion. The recommendations I put forward as obligated by S.B. No. 508 of the 78th Session requested the maintenance of that 13 percent cap. That cap is not applied to districts' identification concerning services to students. It is agnostic to a State cap. The cap is specific to funding, not to service.

The cap is in place to make sure there is no incentive to continue to grow a population of students because it would be financially beneficial to do so. If the cap was removed or lowered, there would need to be an adjustment to the existing allocation to accommodate districts that are above the cap, which would lower per-pupil funding in districts that are below.

ASSEMBLYWOMAN DIAZ:

I want to understand where this 13 percent cap came from. My experience as a teacher in Clark County has been that students are not being identified as needing special education as quickly as we need to. We have a shortage of psychologists and trained personnel. We have a "come and go" workforce that can often mean having inexperienced teachers that cannot identify disabilities. It can sometimes take a child's entire elementary school experience to identify them. Where did that cap come from? My concern is that this could not be a one-size-fits-all number. Certain counties might have 10 percent or 20 percent.

MR. CANAVERO:

It was adopted in statute and it reflects the national average. At the time, the Special Education Advisory Committee weighed in on the cap. They continue to discuss the cap. Your numbers are actually not far off. They may be considerations made for a district of small size where one or two children can significantly change the percentage.

CHAIR WOODHOUSE:

My question goes back to the 78th Session. I believe special education students were weighted at 1.53 at the time. What is that weight at in the budget for the 2017-2019 biennium?

MR. CANAVERO:

We have not calculated that figure yet. The figure you stated is accurate for last Session. It is \$3,000 over the DSA guarantee. I have not calculated how the new \$10 million and \$20 million additions will affect the yield. I can provide the Committee that information in the future.

CHAIR WOODHOUSE:

Please do. I would like to have that information by the time this reaches subcommittee.

SENATOR GOICOECHEA:

The problem we have with this large increase in categoricals is that most of these categoricals only provide for a period of a few years.

MR. CANAVERO:

We can essentially "cash checks" of leftover funds from one biennium to the next.

SENATOR GOICOECHEA:

The problem we have in some rural communities is how to hire staff when we can only offer them a two-year guarantee. It is hard enough to get teachers in Clark County, let alone places like Pershing or White Pine Counties.

MR. CANAVERO:

The Governor's recommended budget continues the categoricals. It expands them. However, I understand your concerns.

MR. RAHMING:

I will now talk about B/A 101-2615, the School Remediation Trust Fund. There is a lot of activity moving out of this account into B/A 101-2699. That is going to align with the I.P. 1 of the 75th Session funding that is going to B/A 101-2699 as well.

Full-day kindergarten had its origin in 2005. It is funded at \$169.6 million over the 2017-2019 biennium. Decision unit E-900 is the corresponding decision unit of the transfer of this program from this account to B/A 101-2610 that was discussed earlier.

E-900 Transfers to Distributive School Account — Page K-12 Education-29

Slide 36 of [Exhibit I](#) shows the growth in the number of teachers allocated to full-day kindergarten from FY 2013-2014 to FY 2016-2017. It has gone from 672 teachers to 1,630. Nevada is ranked fifth in the Nation for the availability of full-day kindergarten.

In FY 2013-2014, 12 out of 17 districts offered this program. By FY 2016-2017, all 17 districts had implemented it. Out of the charter schools, in FY 2013-2014 there were 2 schools offering the program out of the 27 eligible charter schools. In FY 2016-2017, that number has increased to 25 out of those 27 schools. As the funding increases, there has been a greater level of adoption.

MR. CANAVERO:

I would like to discuss the Zoom schools and the rural English Learners (EL) programs. The Zoom School Program is our most mature categorical expenditure outside of general special education. The Zoom program provides specific funding to provide additional resources and services to students who are identified as ELs.

We have four categories of students for which additional investments support. One is special education, which we just discussed. Right now, we are discussing the ELs. We will be talking about poverty, which our Victory Schools program targets. Then there is the Gifted and Talented Education (GATE) program.

The Zoom and EL support started in 2013. I want the Committee to know that when the Legislature passes programs or investments, the first year of that biennium is the stand-up year. Those dollars are made available and staff is spooled up to begin implementation. Many times, those programs will not begin in full until October or January. That is how the way this funding works by its nature. There is somewhat of a delay.

When I say mature, I mean we are working our way into the fourth year of the original Zoom Schools cohort from 2013. The good news is that being in the fourth year of the program means we have a lot of data to bring for the Committee's review. However, the program is still new. When we talk about the Victory school program, which started one biennium after Zoom, that is a really new program.

The base funding amount from 2015 continues. That is \$100 million over the biennium. Decision unit E-275 adds an additional \$42 million over the biennium; \$15 million in FY 2017-2018 and \$27 million in FY 2018-2019. That is to support the expansion of EL and long-term EL services to middle and high schools. That is an estimated 25 schools.

E-275 Educated and Healthy Citizenry — Page K-12 Education-20

There is also a budget bill required. We are seeking a transfer of \$7.5 million from the Teacher Incentive Fund and put that money into the EL program. We are also asking for a policy change to add recruitment and retention incentives to the Zoom and rural EL program. That has not been allowed in Zoom in the past, but is allowed for Victory Schools. The external audit has shown some benefits for those incentives in the Victory Schools program. Decision unit E-905 transfers this program from B/A 101-2615 to B/A 101-2699.

E-905 Trans from School Remediation to Other State Ed —
Page K-12 Education-22

The Committee will see a trend of transfers like this. There is the I.P. 1 of the 75th Session transfer that was discussed earlier. Zoom, Victory and the other programs will move into B/A 101-2699 as well.

Slide 40 of [Exhibit I](#) is a snapshot of the number of schools and students in the Zoom schools. The Zoom program is a whole-school intervention. In 2013 and

2015, the districts identified high-concentration EL and low-outcome schools to create the Zoom schools. When we tally up all the Zoom school students, you will see 45,800 students who are in these schools. That figure included non-EL and EL students.

When we narrow that down to just EL at the Zoom schools, we see around 18,000 to 19,000 students. This is not including the rural Zoom program, just the Zoom school initiative in Clark and Washoe Counties.

SENATOR KIECKHEFER:

These numbers reflect total school enrollment at Zoom schools, regardless of English proficiency of those students?

MR. CANAVERO:

Yes.

SENATOR KIECKHEFER:

Do all students at those schools have access to services provided through Zoom funding? For example, reading labs and prekindergarten programs?

MR. CANAVERO:

In most cases, yes. Especially concerning prekindergarten. That is one of the higher-cost interventions. It has been explained to me that the best practice for prekindergarten ELs is not to isolate them in an EL-only setting. It is better to have them with native English speakers as well.

SENATOR KIECKHEFER:

So, these are school enhancements rather than enhancements that are only available to specific students?

MR. CANAVERO:

Yes. That is the reason I talked about high-concentration EL, low-performing schools. These Zoom programs are largely for the whole school.

Slide 41 of [Exhibit I](#) shows the funding summary of the Zoom Schools program. Those dollars begin as a per-pupil expense that aggregates. Over the 2015-2017 biennium, Clark County's funding for this program amounts to around \$80 million. Washoe is at about \$14 million. The other districts and charter schools are around \$7.5 million.

The Committee will notice the English Mastery Council category in the leftmost column. There is a small amount of funding for their work. The funding for an independent evaluation is included in that category. That is for an arms-length, unbiased evaluation of our programming that I discussed in the introduction of this presentation.

Slide 42 of [Exhibit I](#) is a chart showing how these Zoom Program dollars affect EL growth in schools. The blue bar represents the original cohort of Zoom schools. The green column shows the next cohort of Zoom schools that we would expand into. The red column represents traditional, non-Zoom schools. The chart is measuring adequate growth percentiles for our EL students. In many cases, the blue is outperforming the green. This shows the Zoom Schools program has a quantifiable positive outcome on students. The data proves there is an impact.

Each of the programs discussed today have been externally evaluated by ACS Ventures. The Zoom Schools program was recommended for continued funding. They did draw some conclusions, three of which I included on Slide 43 of [Exhibit I](#). They provided informative feedback for NDE and the districts that we are weaving into our programming.

For the Zoom Schools program specifically, the evaluation found that we were providing sufficient support for ELs. We are reaching our target populations, but more time is needed to observe the effect of the program over a longer period. There have been some preliminary gains. It suggests there is potential for this program to have a positive impact for ELs on a college-bound path.

I would like to discuss our Victory Schools program. This program will be transferred to B/A 101-2699 as well. Victory school funding provides support to underperforming, high-poverty schools. There are a few defining characteristics in term of the policy and how we identify these schools that differentiate Victory from Zoom.

The first cohort of Victory Schools were established by the State. We used census-based data to identify the most impoverished zip codes in our State. We then determined which schools those students would attend. Victory covers elementary, middle and high schools. There are impoverished schools in both urban and rural areas. There are also Native American isolated districts that are impoverished. Unlike what we observed in our Zoom schools, we found our

Victory schools had student populations where nearly 100 percent of students are qualified for free or reduced-price lunch. Qualifying for those is a proxy identifier for poverty. This makes connecting the weight and level of investment for this program a little easier than Zoom because nearly all of the students in these schools are part of the target demographic.

This program originated in the 2015 Session. There was \$50 million in base funding which will continue in this biennium. There is an enhancement unit, E-277, which will add \$30 million to the program over the 2017-2019 biennium.

E-277 Educated and Healthy Citizenry — Page K-12 Education-21

That unit adds \$10 million in FY 2017-2018 and \$20 million in FY 2018-2019. We anticipate the addition of 30 schools to the program. These are rough calculations. The amount of schools identified may change. However, if we factor a per-pupil spending amount of \$1,118 additional spending for Victory, we used that number to estimate that we can expand out to 26,000 students.

Slide 46 of [Exhibit I](#) shows where Victory Schools are located. Clark, Washoe, Nye, Elko and Humboldt Counties all have schools in the program. The table on this slide breaks those figures into the urban, rural and Native American categories discussed earlier. Each Victory School develops a plan, which triggers the policy. That plan is not just for K-12; it requires community engagement. We want Victory Schools to address and remediate the trappings of poverty as a community issue. Many community partners service impoverished students as well.

The intent of Victory is to have these partner with the schools to work on poverty together. It is a collective impact model. It involves nutrition, dental care, health care and other elements working together to ameliorate poverty.

The external evaluation of Victory recommended continued funding. The conclusions were similar to Zoom's with some caveats. The program is being implemented as intended and is reaching the target population. The recruitment and retention efforts of the program have dropped the transiency average for teachers. Having consistent teachers in classrooms of poverty is a predictive variable for student outcomes. Incentives, professional development and the

freedom to target interventions appear to have positively affected retention rates.

New teacher incentives funding was a part of a larger series of investments made by the State to help bridge the chronic teacher shortages. There are system-based and immediate incentives available for teachers. This originated last Session with a base funding amount of \$20 million over the 2015-2017 biennium. About 4,700 teachers were impacted over that biennium. Decision unit E-275 is a transfer of \$15 million in incentive funding to Zoom and rural EL programs that was discussed earlier. This would enable the policy of providing retention incentives for Zoom and rural EL programs.

E-275 Educated and Healthy Citizenry — Page K-12 Education-20

Decision unit E-905 is the transfer to B/A 101-2699 that has been discussed previously.

E-905 Trans from School Remediation to Other State Ed — Page K-12 Education-22

We also have a budget bill that would add a priority for special education teachers for the teacher incentive list. We recognize that special education teachers are in demand and in shortage. That is why we want to see them added as eligible for these incentives.

The chart on Slide 50 of [Exhibit I](#) shows data about NDE staffing and vacancy. I will not say that all the trends you see here are attributable to the new teacher incentives fund, but they are certainly attributable to a Statewide efforts made by NDE, the districts, the Legislature and the Governor's office. A negative number in the right-hand column is good; it demonstrates a decline in vacancies.

Each row represents a single district or program. The bottom rows show the performance of our schools as rated on a 1-to-5 star scale. When you compare the numbers from December 2015 to November 2016, you see a decline in many of the categories for vacancies. There is still work to be done but we are moving in the right direction.

SENATOR DENIS:

What is the total amount budgeted for the School Remediation Trust Fund for the biennium? I am specifically curious about the teacher incentives.

MR. CANAVERO:

The total budget for teacher incentives is \$5 million over the biennium.

SENATOR DENIS:

What was that amount in the 2015-2017 biennium?

MR. CANAVERO:

It was \$20 million.

SENATOR DENIS:

So you are moving \$15 million to Zoom and Victory? You are moving the money around, not reducing the total amount spent? Would that not take that money away from standard teacher incentives?

MR. CANAVERO:

We are targeting \$15 million of the teacher incentive dollars to Zoom only. We are not putting any into Victory. We are asking for a policy adjustment that would allow for the full \$42 million in that account to be available for teacher incentives, recruitment and retention. That would mirror the structure of the Victory program.

SENATOR DENIS:

I want to make sure I understand this. You are not increasing spending in certain categories; you are moving money from one category to another.

MR. CANAVERO:

Yes. The \$120 million that I referenced earlier does not account for the \$15 million transfer.

I will now discuss the incentives for licensed education personnel, B/A 101-2616.

This is the one-fifth retirement credit purchase program. This originated in 2007. Decision unit E-999 is a reduction of \$2 million over the biennium. This is primarily due to the personnel participating in the program in FY 2006-2007 have purchased the maximum of five purchases that amount to a full credit.

E-999 Unfunded — Page K-12 Education 40

Slide 53 of [Exhibit I](#) provides data showing the declining obligation of the State as this group of teachers moves closer to that maximum purchase. We believe the amount budgeted for this program is enough to enable participants to claim their credit.

ASSEMBLYWOMAN DIAZ:

I need more clarification on the transfer that Senator Denis had questions about. Is that transfer an addition to Zoom funding or is it part of the total allocation?

MR. CANAVERO:

It is part of an overall increase. Combining that \$15 million and the \$28 million that is already included yields \$42 million. Opening up the policy to allow deeper spending in recruitment and retention is necessary to target recruitment so the right people are teaching our ELs.

The State Supplemental School Support Account is B/A 101-2617.

NDE - State Supplemental School Support Account — Budget Page K-12
Education-32 (Volume I)
Budget Account 101-2617

Slide 55 of [Exhibit I](#) details the origin and funding of this program. Initiative Petition 1 of the 75th Session provided room tax revenue to create this program. It essentially created a holding account for those dollars. The program is funded at \$376.1 million over the 2017-2019 biennium. It is split to \$185.3 million in FY 2017-2018 and \$190.8 million in FY 2018-2019.

The revenue is a 3 percent tax on rental lodging. Decision unit E-130 extends the transfer of the room tax revenue, including interest, to the DSA to support other state educational programs. Specifically, it is to support the special education program. We would transfer \$22 million in FY 2017-2018 and \$3.5 million in FY 2018-2019 to B/A 101-2610.

E-130 Sustainable and Growing Economy — Page K-12 Education-32

That is about 10 percent of those funds. The remaining 90 percent would be transferred to B/A 101-2699 to support Victory, Zoom, turnaround schools, social worker and mental health programs, new teacher incentives, GATE funding, Nevada 21, Jobs for America's Graduates and college readiness grants. Budget account 101-2699 builds the base of categorical funding.

ASSEMBLYWOMAN CARLTON:

I am interested in the Teachers' School Supplies Reimbursement account. There was \$2.5 million appropriated each year. A total of \$1.9 million was expended in the first year. Of that, \$1.5 million went to Clark County. The remainders of the funds roll over to the next year. I was wondering if you had the current dollar amount of that account and if there were any issues regarding outreach to teachers? We want to make sure that money is easily accessible and is actually being spent.

MR. CANAVERO:

Slide 92 of [Exhibit I](#) discusses this a bit. That account is in B/A 101-2717.

NDE - Teachers' School Supplies Reimbursement — Budget Page K-12
Education-38 (Volume I)
Budget Account 101-2717

ASSEMBLYWOMAN CARLTON:

I am getting ahead of myself. We will discuss it when the presentation gets there.

MR. CANAVERO:

The Great Teaching and Leading Fund is B/A 101-2618.

NDE - Professional Development Programs — Budget Page K-12 Education-26
(Volume I)
Budget Account 101-2618

This was established last biennium. It is a part of our systemic work to grow teachers and leaders. Base funding continues at \$9.8 million. About 34 entities were awarded grants out of this fund over the 2015-2017 biennium. This

program impacted about 171 preservice candidates and 4,700 teachers and leaders.

Per statute and the State Board's criteria, this fund supports science standards, leadership, preparation and mentoring. The external evaluation recommended this program for continued funding. The program's design provides multiple solutions to be implemented in several State Board-identified priority areas. There is also continued monitoring recommended to ensure different projects are all focused separately. We do not want to put out overlapping or competing programs.

The Regional Professional Development Programs (RPDPs) are also in B/A 101-2618.

The RPDPs originated from the 70th Session in 1999. The base funding is an amount of \$15.1 million over the 2017-2019 biennium. There are three regional RPDPs. The Southern RPDP includes Clark County serving as a fiscal agent with Esmeralda, Lincoln, Mineral and Nye included. The Northwestern RPDP has Washoe County as a fiscal agent with Churchill, Douglas, Lyon, Storey and Carson City as participants. The Northeast RPDP has Elko as a fiscal agent serving Eureka, Lander, Humboldt, Pershing and White Pine Counties.

I will now discuss B/A 101-2699, which are our other State education programs. These are the existing programs that will be joined by the various transfers to this account I have discussed earlier.

The Read by Grade 3 Program was created last Session. The base funding of \$45 million over the biennium is a \$17 million increase. The Governor's recommended budget doubles the FY 2016-2017 commitment. This program focuses on early literacy from Grades K through 3.

In FY 2015-2016, this program served 64 schools and 21,119 students. In FY 2016-2017, we have served 315 schools with \$22,250,574 awarded. Slide 64 of [Exhibit I](#) shows the outcomes of this program in three categories. The first is the direct impact on students. The second is educator impact concerning professional development. Part of the program is the presence of a learning strategist at the school site who supports educators and students directly to improve literacy. The third is the system impact, which is reflected in the rollout of the program. The third-party evaluation has been complimentary of

the alignment of the State literacy plan with those of local districts. The State's plan has received national attention.

The NDE and the State Board are focused on ensuring our assessments are purposeful, meaningful and efficient. The Read by Grade 3 policy requires the State Board to adopt a common literacy assessment across the State. The first thing we did was ask the local districts what they use. The second step was taking that information and examining the predictability of that assessment with the existing Grade 3 assessment that is used. Based on that, we selected the measures of academic progress that was largely in use at the district level. We wanted to capitalize on a process that is effective and is already in use.

The Turnaround Schools Program is also included in B/A 101-2699. This program is a \$5 million commitment over the 2017-2019 biennium. This is the first time that direct State funding has been provided to improve outcomes in our lowest-performing schools. The State has historically used federal money to do this work. This \$5 million will help fill the gap in schools that do not qualify for federal dollars.

We have served 47 schools with that money. Seven of those were nontitle schools. Twenty four have no other school improvement intervention funding like federal, Zoom or Victory funding. Fourteen of those nonfunded schools are rural with limited access to resources. Another ten schools are charters who serve unique at-risk populations. Slide 68 of [Exhibit I](#) shows the funding summary of this program.

This program was colored orange on Slide 3 of [Exhibit I](#). We echo the external evaluator's recommendation of continued funding. They saw that this program's roll out could be improved. We agree, but I am unsure if increased monitoring is the right solution. I think our Every Student Succeeds Act plan built under the federal framework services the State's priorities concerning turnaround schools and will impact how we use these funds.

ASSEMBLYWOMAN SPIEGEL:

What does the acronym SPCSA stand for? I see it included on a chart in your presentation.

MR. CANAVERO:

It stands for the State Public Charter School Authority. It is the State's authorizer of charter schools. It was established in 2011.

The GATE funding is included in B/A 101-2699 as well. Senate Bill No. 515 of the 78th Session increased funding from \$174,243 each year to \$5.2 million for each year of 2015-2017 biennium. The GATE program uses a State-approved assessment that identifies eligible students. Decision unit E-276 adds \$4.3 million in funding over the 2017-2019 biennium. That is \$1.2 million in FY 2017-2018 and \$3.1 in FY 2018-2019. We will establish a uniform weight for GATE students in FY 2018-2019 that is estimated to be \$600 a pupil. The figure is presently around \$413 per pupil in FY 2015-2016.

E-276 Educated and Healthy Citizenry — Page K-12 Education-21

In 2016, 12 districts provided GATE services to 12,829 students. Slide 72 of [Exhibit I](#) shows how that population has grown over time. For the 2017-2019 biennium, we believe that GATE students would be eligible if identified and served through State-approved assessments and processes. We would be providing additional funds for services, not simply identification. We believe NRS 387.121, which codified the aspects of S.B. No. 508 of the 78th Session, focused on converting funding calculations to a uniform weighted basis. Moving GATE to this would make calculations more uniform across programs.

Slide 73 of [Exhibit I](#) summarizes the FY 2016-2017 State average weights by four categories. The yellow sections represent those categoricals and are stacked on top of a blue section, which represents the State's guaranteed minimum per-pupil funding amount. The left vertical axis expresses amounts in dollars, while the right vertical axis expresses those same amounts as a multiplier.

The leftmost column represents special education. The \$3,034 is the additional investment in those students. That is expressed as 1.53 multiplier.

The rightmost column represents GATE. There is about \$403 per student of additional investment over the minimum guarantee. That equals a multiplier of 1.1.

Victory is the second column from the left. Remember, this program serves only certain groups of students; about 25,000 or 30,000 students participate in the Victory Schools program. There is \$1,118 of additional investment there, which gives a multiplier that is slightly higher than 1.2.

Zoom, which is the third column from the left, has a distinguishing line in the bar. Zoom is a whole-school program. Those schools are not 100 percent ELs, but they do have a high concentration of ELs. The \$2,523 above that line represents the additional investment when divided just among EL students. The \$1,193 represents the same investment, but divided by the entire student population. This includes non-ELs who may receive ancillary benefits from the program.

The Nevada Ready 21 Technology Grant (NV21) program is included in B/A 101-2699 as well. This program has a base funding amount of \$20 million over the 2017-2019 biennium. There are 19,000 students, 1,000 teachers and 23 schools in 6 districts as well as 3 charter schools that participate in the inaugural cohort of NV21.

The NV21 program is meant to aid economic development by preparing a workforce for the 21st century. It provides students with a device. It is not a one-to-one initiative on its own. It is not just providing the technology; it is also professional development for teachers on how to use that tool for instructional purposes. The typical Nevada classroom has a 1-to-5 student to device ratio, as opposed to the 1-to-1 ratio in NV21 classrooms.

Slide 76 of [Exhibit I](#) gives demographic information about the students involved in NV21. There are 6,001 students, or 32 percent, are eligible for free or reduced-price lunch. There are 1,618 students, or 9 percent, that have individualized education plans. There are 1,040 students, or about 6 percent, are ELs. There are 13 urban and 10 rural schools in NV21. The external evaluation of NV21 recommended continued funding. There are three conclusions from that evaluation included on Slide 77 of [Exhibit I](#).

The Social Workers Program is a part of B/A 101-2699. This program originated in the 78th Session. It was created within the Office for a Safe and Respectful Learning Environment under the Superintendent's Office. The program has a base funding of \$22.4 million over the 2017-2019 biennium. Thirteen districts and the SPCSA were served in FY 2016-2017. As of November 2, 2016, there

were around 143 schools served. There were 194.5 social or other mental health workers hired due to these funds.

We do have a budget bill that will move the unspent funds in this program to the next year. There were financial provisions for the roll out of this program. We think the program was a success and hope to demonstrate to the Legislature that we should be allowed to roll those funds from one year to the next. That would align with how we handle other large categoricals.

Slide 80 of [Exhibit I](#) gives a snapshot of where those workers are by county and the amount of funding awarded as of November 1, 2016. There is a challenge concerning the hiring of social workers in some of our communities. That is why there are discrepancies in the amount of funds awarded and the number of workers hired. We are running multiple rounds of hiring in those areas.

Slide 81 of [Exhibit I](#) shows the results of an anonymized aggregate school climate survey. This is done to understand which school climates would most benefit from having a social or other mental health worker. We have been working with Clark and Washoe school districts to include data from surveys they conduct. We have baseline data available to the Legislature that we will refresh in order to try to quantify the impact of social workers on school climate.

The third-party evaluation of this program recommended continued funding. Slide 82 of [Exhibit I](#) shows three of the conclusions given because of that evaluation.

The Jobs for America's Graduates (JAG) program is included in B/A 101-2699. This program originated in the 78th Session. We continue the base funding of this program with a modest increase over the 2017-2019 biennium. There is \$7.2 million in funding over the biennium. The JAG program services about 2,500 students across 12 districts.

Slide 85 of [Exhibit I](#) compares graduation rates between JAG and non-JAG students in the State. The JAG students are oftentimes the most at-risk and disconnected students in our high schools. The JAG program does remarkable work in getting them reengaged and on a pathway to postsecondary success, whether it is a career or postsecondary education.

Career and Technical Education (CTE) is included in B/A 101-2699. The table on the bottom of Slide 87 of [Exhibit I](#) shows the funding for this program more than doubled between FY 2014-2015 and FY 2015-2016. We have significantly increased funding for CTE across the State that would nearly triple the funding allotted in FY 2016-2017. This is an amount of \$25.1 million.

Slide 88 of [Exhibit I](#) shows the growing trend of enrollment in CTE. Slide 89 of [Exhibit I](#) shows the impact CTE enrollment has had on graduation rates. Nevada was the recipient of a grant. The first phase of that grant was focused on aligning high-quality CTE pathways and creating a governance system that focuses on career readiness. We competed for Phase 2 of that grant. We put together a plan and went to the Nation's capital to pitch it. We were one of ten states awarded the Phase 2 funding.

Some of the priorities around CTE programs concern equitable access to high-quality career pathways. The State Board and the NSHE Board of Regents recently adopted joint resolutions to expand these pathways and allow dual enrollment in others. The Legislature will see a handful of bills to set up State government in a way that aligns agencies like DETR, NSHE, NDE and the Governor's Office of Economic Development with Office of Workforce Innovations (OWINN) strategies and industry trends.

ASSEMBLYMAN EDWARDS:

My question is in regards to the GATE program. It occurs to me that certain subject matters would require more money than others would. I know the State is trying to switch to these weighted averages. I am curious if an individualistic approach might work better in certain cases.

MR. CANAVERO:

There was an interim study about the State's transition to using weighted averages that informed S.B. No. 508 of the 78th Session. That study continues to be a reference for me. There was a notion within that study detailing the differentiation of weights among individual students. It is a topic that is perhaps worthy of further study.

This comes into play especially for students with disabilities. A student may have speech and language challenges. They will have a once-a-week consultation. That is different from a student who may have needs that need to

be addressed every single day or needs high-cost interventions. Using aggregate weights smooth out the disparities.

ASSEMBLYMAN EDWARDS:

The schools have the ability to adjust according to the child?

MR. CANAVERO:

Yes.

ASSEMBLYWOMAN BUSTAMANTE ADAMS:

These were individual accounts previously. They are being moved to B/A 101-2699. Will we lose transparency in reporting or documentation with these transfers?

MR. CANAVERO:

I do not believe so. I believe these transfers, including the transfer of I.P. 1 of the 75th Session funds to B/A 101-2717, provides additional transparency. The grants we receive put the onus of demonstrating our results on us. Although these transfers are going to B/A 101-2699, they will all still have their individual pot of money.

ASSEMBLYWOMAN DIAZ:

This presentation covers the State's slice of education funding. Can you speak a little about the impact of a lack of revenue from the local level?

MR. CANAVERO:

There is discussion about this forthcoming in the presentation. Mr. Rahming referenced the Nevada Plan earlier in this presentation. The different sources of funding for this Plan are colloquially known as the inside and the outside. You are referencing the outside. The State guarantee is the inside. As I mentioned before, State revenue goes up or down in relation to local revenue to meet that guarantee.

The Teachers' School Supplies Reimbursement program is B/A 101-2717. This program recognizes the contributions teachers make out-of-pocket to supply their classrooms and provides a mechanism to reimburse them for those costs. This program originated from S.B. No. 133 of the 78th Session, which allocated \$5 million over the biennium.

That bill requires that the funding cannot exceed \$250 per teacher. About 17 districts and 36 out of 40 charter schools had teachers benefit from this program in FY 2015-2016. Out of all teachers, 73 percent benefited from this program. In response to Assemblywoman Carlton's question earlier, 77 percent of the funds in this program were expended. Principals hold the receipts.

ASSEMBLYWOMAN CARLTON:

This program is funded at \$2.5 million a year. We spent \$1.9 million of it the first fiscal year. Of that, \$1.5 million went to Clark County. The rest rolled over. Do we know what the funding level of this program is for this year?

MR. CANAVERO:

We will update and provide you with a memo containing that information.

ASSEMBLYWOMAN CARLTON:

I would like an answer, not a memo. It does not have to be formal. I have had teachers tell me that these funds were not as easily accessible as they thought it might be.

MR. CANAVERO:

We will get that information to you. Moving on, The Teach Nevada Scholarship Program is B/A 101-2718.

NDE - Teach Nevada Scholarship Program — Budget Page K-12 Education-34
(Volume I)
Budget Account 101-2718

We will continue the base level funding of this program. There is also decision unit E-285 which adds another \$1 million of funding over the 2017-2019 biennium.

E-285 Educated and Healthy Citizenry — Page K-12 Education-34

There were 142 scholarships awarded in FY 2015-2016 and 112 awarded in FY 2016-2017. There is still a second round of applications pending for FY 2016-2017. The program awards \$3,000 a semester or \$24,000 in aggregate to individuals pursuing careers in teaching. The initial focus of the program was on alternative route to licensure teachers. We wanted to help the

most teachers earn their licenses as quickly as possible. There were 98 teachers hired at high-vacancy schools with another 70 teachers who are eligible for hire.

The State Board of Education established a list of schools with the highest teacher vacancy. For a scholarship recipient to receive the final bonus, they must work at a high-vacancy school. We try to align the scholarship dollars to the needs of these schools. It is one of the many planks we have established to support high-need schools and the teachers who work in them.

Slide 100 of [Exhibit I](#) attempts to show the Committee how all the different sources of revenue stack up in terms of per-pupil funding. These figures are derived from statewide averages, some projections and the Governor's recommended budget. I believe this helps answer Assemblywoman Diaz's question from earlier regarding how all these sources work together. The purple sections of the bars represent the local money, or the outside as was discussed earlier.

SENATOR KIECKHEFER:

I had a question about the projections used for estimating property tax revenue for the DSA. Can you tell us where those projections come from? They showed substantial property tax growth for both FY 2017-2018 and FY 2018-2019.

MR. RAHMING:

Those estimates come from a committee with members from the LCB, the Treasury, Taxation and the Governor's Finance Office. We look at a host of projections to work to a figure that all of us can agree on. It is a committee-determined number.

SENATOR KIECKHEFER:

Are those projections reprojected during the Session based on updated information?

MR. RAHMING:

The Nevada Department of Taxation will update those numbers sometime during March.

CHAIR WOODHOUSE:

That will conclude the hearing on the DSA. The Committee will move on to NDE's budget presentation.

MR. CANAVERO:

Our presentation ([Exhibit J](#)) will cover the NDE's budget. The NDE contains the State Board of Education. The LCB has a history of the Board available for those looking for more on the history of educational governance in the State. Nevada uses a hybrid board where there are both elected and appointed members. There are seven voting and four nonvoting members on the Board.

The NDE has the Superintendent of Public Instruction, which is I, and about 180 employees. Less than half of those employees are State-funded. The rest are federally funded. I have the authority to organize the Office in a way that makes sense. The Office is organized into three divisions, which we generally refer to as the money, kids and adults divisions. Those 3 divisions have 14 offices. There are about a dozen statutorily created committees, councils and commissions that we either directly support or facilitate.

We have 33 budgets totaling \$2.3 billion in funding for each year of the 2017-2019 biennium. Of that, \$2.2 billion passes through. We have 63 active federal grants, totaling \$665 million of funding for FY 2015-2016. There are 18 new or expanded programs in the 2015-2017 biennium, totaling \$286 million each year.

The NDE underwent a period of restructuring in 2014. We had a Governor's recommended budget that transferred almost every single individual budget account. The purpose behind that was to align our budget with our function. We also evolved how we work. I believe that we are now in a period of strong alignment and focus.

We have a 5-year strategic plan that I had mentioned earlier. The Board cast a vision to be the fastest-improving State in the Nation. We have a Department strategic plan that focuses on performance management. We are implementing quarterly, monthly and biweekly plans. This offers the State an opportunity to place the federal law in service to our priorities. I am proud to be a part of that transition from a federal plan that drives the State to one that supports the State's priorities.

Slide 7 of [Exhibit J](#) shows the general structure of the NDE. I am appointed by the Governor from a group of candidates the Board offers him. You can see the three divisions previously discussed listed underneath my position. The red box

on the right is the Safe and Respectful Learning Environment Office the Legislature has mandated.

Slide 8 of [Exhibit J](#) shows the structure of the Office of the Superintendent. The Committee can see the division deputies as well as a public information officer that was added to my office in 2013. In addition, a management analyst was added to this Department in 2015.

Slide 9 of [Exhibit J](#) shows the structure of the Business and Support Services arm of NDE. It is divided into three basic functions. One is based around Department support, another is school district support and the final is based around audit functions. I wanted to talk about the grant management unit that is under the school district support function. Many of us had been working on standing that unit up. That unit is now viable and functional.

Slide 10 of [Exhibit J](#) shows how our functions regarding educator effectiveness and family engagement are structured. There are three main offices. One is based around educator licensing, which is a critical function of NDE. We have statistics available showing the time and processing of licensing and the number of applicants if the Committee would want know more. There are also the Office of Educator Development and Support as well as the Office of Parent Involvement and Family Engagement.

Slide 11 of [Exhibit J](#) shows the structure of the Student Achievement Division. There are a number of offices related to standards, assessments, data, accountability management, career readiness and early learning. Early learning is a relatively new addition with a clear focus on early childhood. It covers pre-K up through Grade 12.

The Committee had previously asked questions about achievement school districts. That office is within the Office of the Superintendent. The Executive Director of the Achievement School District office is Deputy Superintendent Barley.

There are two new positions requested in our budget for the 2017-2019 biennium. The first is a fee-based position to support the Office of Educator Licensure. The second is a federally funded position related to standing up the 21st Century Learning Center grant.

As with all statewide agencies, we have salary adjustments for IT positions. That is decision unit E-671.

E-671 Salary Adjustment For 2017-2019 Biennium — Page K-12 Education-53

There is also a salary adjustment for the management analyst III position in the Office of the Superintendent. Decision unit E-805 is a step increase from one to seven for that position.

E-805 Classified Position Changes — Page K-12 Education-45

There are also some position transfers. I consider this a clean-up. As I mentioned before, almost every single individual transferred budget accounts in the 2015-2017 biennium. We found two positions that, after analysis, need to transfer to align the position with the funding for them. Slide 14 of [Exhibit J](#) shows the details of those transfers.

There is also the transfer of Adult Basic Education from B/A 101-2680 to DETR.

NDE – Continuing Education — Budget Page K-12 Education-119 (Volume I)
Budget Account 101-2680

This transfer is consistent with the Governor's vision for workforce development, the OWINN, and its policy initiatives. This is not adult high school that students between 16 and 18 years of age can transfer into. These are adults, and has been a function of NDE for some time. Decision unit E-903 transfers \$6 million for each year of the 2017-2019 biennium and 2 FTE to DETR to support adult basic education.

E-903 Transfer to DETR — Page K-12 Education-122

This will align the program with DETR's work in helping the underemployed and the unemployed adults of the State.

There is also the creation of a new account for the Safe and Respectful Learning Environment. This was previously housed in B/A 101-2712.

NDE – Student and School Support — Budget Page K-12 Education-100
(Volume I)
Budget Account 101-2712

The new account that will house this office is B/A 101-2721.

NDE – Safe and Respectful Learning — Budget Page K-12 Education-98
(Volume I)
Budget Account 101-2721

This transfers all of the funding for that office to its own account in order to increase the transparency of that program. The Committee can see the various sources of funding for this office on Slide 16 of [Exhibit J](#).

There are two enhancement units loosely aligned to Nevada's Every Student Succeeds Act plan. Our self-evaluations had a clear emphasis on additional reporting and transparency. Slide 17 of [Exhibit J](#) details these enhancements and the purpose they will serve in the Assessments and Accountability and Data Systems Management budgets .

The Committee had asked for an update on the Achievement School District (ASD). Slide 18 of [Exhibit J](#) is information on the ASD. There is enhanced reporting as well as the expanding of options for high school assessments. This may include WorkKeys assessments or programs that provide certificates of value.

The ASD finds charter operators, vets them and approves them as candidates for partnership with communities. The ASD has approved three applicants out of ten over the last two years. There are only two on the list that are continuing; Democracy Prep and Futuro Academy.

The eligibility of Celerity Schools was revoked. This was done in response to press they had received. Deputy Superintendent Barley sent Celerity a memo within two hours after the publication of a story in the *Los Angeles Times*. This was a quick and decisive move.

The ASD also performed a review of school performance, both current and historical. We canvassed multiple years of academic achievement to inform the school selection process. We produce two lists. One of those, the Rising Stars

list, is what was historically called the underperforming schools list. The new list is called the Shining Stars list; these are in-State, high-poverty and high-performance schools. It is important to find local examples of great leaders and great teachers creating the right environment for students to succeed. We can learn from these Shining Stars schools.

We also executed the first school narrowing process. We have had tremendous difficulty in moving our regulations through. Our regulations describe protections for students with disabilities. We ensure that if a school is converted to charter operation that students in poverty have first access. We have expanded those regulations to include parent involvement. At the end of the narrowing process, five schools were approved by the Board for possible conversion beginning in fall of 2017. Slide 18 of [Exhibit J](#) shows the list of approved schools and some of the performance metrics at these schools.

The school narrowing process is laid out in statute. We created a list of 47 Rising Star Schools in October of 2014. Thirty four of those schools were eligible for the ASD. The 13 schools that were not eligible were charter schools. Charter schools are not eligible for the ASD. The ASD is not a lifeline for failing charter schools. The Legislature has adopted over the last three Sessions what is now nationally recognized as the best charter school law. These laws ensure that their sponsors deal with underperforming charter schools. The SPCSA is taking action on those 13 schools. Charter schools have a shelf life of six years. They do not get contracts to operate in perpetuity.

State law requires a minimum of 20 percent of those eligible schools be moved forward for recommendation. That means nine schools are recommended to the Board for possible conversion. They ultimately decided on five schools.

The Committee also asked for an update on how charter schools are selected and funded. The federal government offers a competitive charter schools program that Nevada won. A planning and dissemination grant totals \$14,918,062 over three years. We worked very hard to secure approval of a federal revolving loan that was ultimately unsuccessful. We had to remove that loan from the request.

The objectives of this program are clear. It is to increase the number of high-quality charters serving at-risk populations. It is also to improve student achievement, disseminate high-quality practices and strengthen authorizing.

We have awarded planning and implementation grants that total \$3,033,869. There were initially four schools receiving these, but as mentioned previously, Celerity Schools had their eligibility revoked. The dissemination grant the Nevada State High School received is for the dissemination of best practices. This charter has done good work and received strong outcomes. The grant is to help them spread those best practices.

Our preschools were also the recipients of a federal grant program. The federal grant requires the State to match funds. Slide 22 of [Exhibit J](#) shows details regarding that program. The purpose of the program is to expand access to, and the quality of, Pre-K classrooms across Nevada. There is a strong research base showing how these programs can aid disadvantaged children.

Slide 23 of [Exhibit J](#) is a table showing how that program is faring with regards to enrollment and funding. We are falling short of projections, which is a challenge. There are logistical barriers in terms of space available in parts of the State. We are working with the federal government to expand the scope of this program. We are seeking partners in the districts and from nonprofits to expand access to Pre-K education.

Slide 24 of [Exhibit J](#) details NDE's data systems management. There have been many concerns about data security, privacy and test security. We received funding to hire an external party, Caveon Test Security, to do analysis of our systems. They made a number of recommendations, which are listed on Slide 24 of [Exhibit J](#).

We have recommendations to ensure our assessment system is secure and that the results of that system are valid and reliable. We have good practices to build upon in addition to the data protection policies that are already in place.

Slide 25 of [Exhibit J](#) shows expiring federal grant programs. The Striving Readers grant and the Math and Science Partnership grant are expiring. These programs are winding down during the 2017-2019 biennium.

ASSEMBLYWOMAN SWANK:

You had mentioned Celerity Charter School being conditionally approved. Were any funds transferred to them from the State?

MR. CANAVERO:
No.

ASSEMBLYMAN EDWARDS:
Can we still move those five schools into the ASD using the two charter providers that are approved?

MR. CANAVERO:
I want to clarify. The ASD will open next year with two schools. The first is through a voluntary partnership with Andre Agassi College Preparatory Academy and Democracy Prep. The other is Futuro Academy, which is located adjacent to Cambeiro Elementary school. This will be a fresh start and a high-quality neighborhood option. Those two will be a part of the ASD in that first year.

The regulations provided a framework by which the schools on the list can engage in a performance compact. We will continue to work with those five schools and their district to see what is amenable.

ASSEMBLYMAN EDWARDS:
Do you have an estimate of when that could happen?

MR. CANAVERO:
No.

ASSEMBLYWOMAN CARLTON:
As this goes to subcommittee, I would like more information on how the testing was done and the proficiency levels that lead to these schools being chosen. Some of the schools in Elko and Nye Counties look like they would have qualified for the ASD, but all of the chosen schools are in Clark. I am wondering why the Elko school was not chosen.

MR. CANAVERO:
Duly noted.

CHAIR WOODHOUSE:
That will conclude the NDE presentations. I will now open the floor for public comment.

CHRIS DALY (Deputy Executive Director of Government Relations, Nevada State Education Association):

The Nevada State Education Association (NSEA) represents 40,000 educators across the State. We work to ensure that every student has access to a high-quality education.

I wanted to speak briefly on I.P. 1 of the 75th Session room tax monies and the K-12 education budget. The NSEA sponsored ballot initiatives in 2008 that passed in both Clark and Washoe Counties. These called for an increase in room tax and for these funds to supplement the existing education budget. The wording was "to improve the achievement of students, and for the payment of salaries to attract and retain qualified teachers and other employees".

The Legislature passed I.P. 1 of the 75th Session, which increased the room tax by up to 3 percent and created the State Supplemental School Support Fund. In the recession, these monies were used to supplant, not supplement, required General Fund dollars for education. Over the years, an estimated \$750 million was used to offset General Fund expenditures. The NSEA appreciates the proposed budget for the 2017-2019 biennium appropriates the room tax revenues to worthy categorical programs, including the EL program, Victory and Zoom.

This would be using those funds in a supplemental way for the first time. However, I did want to note that categorical funding is different from the mechanism that was initially contemplated in I.P. 1 of the 75th Session, which would have distributed that money to individual school districts.

I also want to point out that one could argue that new monies from marijuana taxes were swapped for I.P. 1 of the 75th Session dollars, supplanting General Fund contributions to the DSA. I would ask the Legislators engage aggressively on this budget, both on the details and on the bigger picture. Slide 100 of [Exhibit I](#) showed the actual statewide average for per-pupil funding. The 2017 projections showed \$9,019 per pupil. The recommendation for FY 2017-2018 was for \$9,168. It is a growth of less than \$150, or about 1.5 percent. That does not even keep up with inflationary costs. Is this enough to provide every student quality education?

I think it is not quite there. It sounds good when presented, but the result is not quite enough. I hope we can do better.

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CHAIR WOODHOUSE:

That will conclude this meeting of the Legislative Commission's Budget Subcommittee. The meeting is adjourned at 6:14 p.m.

RESPECTFULLY SUBMITTED:

Colby Nichols,
Committee Secretary

APPROVED BY:

Senator Joyce Woodhouse, Chair

Assemblywoman Maggie Carlton, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	17		Attendance Roster
	C	26	Damon Haycock / PEBP	PEBP Program Presentation
	D	31	James Wright / DPS	NDOC FY18-19 Governor Recommends Budget Presentation
	E	5	Connie Bisbee / Nevada Board of Parole Commissioners	Board of Parole Commissioners Governor's Recommended Budget for the 18-19 Biennium
	F	30	James Dzurenda / NDOC	NDOC SFY 18 19 Governor Recommends Budget Presession Presentation
	G	40	Rudy Malfabon / NDOT	NDOT LCB Budget Hearing
	H	35	Bruce Breslow / B&I	Department of Business and Industry Presented by Breslow, Director
	I	101	Steve Canavero / NDE	DSA Related Budgets Jan 31
	J	26	Steve Canavero / NDE	The Executive Budget Department Budget 2017 2019 Biennium NDE