

**MINUTES OF THE JOINT MEETING OF THE
SENATE COMMITTEE ON FINANCE
AND THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Eightieth Session
February 25, 2019**

The joint meeting of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Joyce Woodhouse at 8:05 a.m. on Monday, February 25, 2019, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 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 Kelvin Atkinson
Senator Yvanna D. Cancela
Senator James A. Settelmeyer
Senator Ben Kieckhefer
Senator Pete Goicoechea

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Maggie Carlton, Chair
Assemblywoman Teresa Benitez-Thompson, Vice Chair
Assemblyman Jason Frierson
Assemblywoman Sandra Jauregui
Assemblyman Al Kramer
Assemblywoman Daniele Monroe-Moreno
Assemblywoman Dina Neal
Assemblywoman Ellen B. Spiegel
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblyman Tyrone Thompson
Assemblywoman Robin L. Titus

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Assemblyman Jim Wheeler

COMMITTEE MEMBERS ABSENT:

Assemblyman John Hambrick (Excused)

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
Leandra Copeland, Program Analyst
Jeff Ferguson, Senior Program Analyst
Julie Waller, Senior Program Analyst
Felicia Archer, Committee Secretary
Desirae Munns, Committee Secretary

OTHERS PRESENT:

Susan Brown, Director, Office of Finance, Office of the Governor
Warren Lowman, Administrator, Division of Internal Audits, Office of Finance,
Office of the Governor
Glen Whorton, President, Nevada State Prison Preservation Society
Brian Mitchell, Director, Office of Science, Innovation and Technology, Office of
the Governor
Catherine E. Byrne, CPA, State Controller, Office of the State Controller
Lori Hoover, Chief Deputy Controller, Office of the State Controller
Sandra Douglass Morgan, Chair, Nevada Gaming Control Board
Andrew Tucker, Information Technology Manager, Nevada Gaming Control
Board

CHAIR WOODHOUSE:

The first order of business is the Governor's Office of Finance (GFO).

SUSAN BROWN (Director, Office of Finance, Office of the Governor):

I am here to present the GFO budget accounts (B/A) 101-1340, B/A 101-1342
and B/A 101-1301.

ELECTED OFFICIALS

Governor's Ofc of Finance - Budget Division — Budget Page ELECTED-52
(Volume I)
Budget Account 101-1340

Governor's Ofc of Finance- Div of Internal Audits — Budget Page ELECTED-57
(Volume I)
Budget Account 101-1342

Governor's Ofc of Finance - Special Appropriations — Budget Page ELECTED-69
(Volume I)
Budget Account 101-1301

The mission, vision and values of the GFO are discussed on page 3 of the GFO 2019-2021 budget presentation ([Exhibit C](#)).

Details regarding the GFO can be found on page 4 of [Exhibit C](#). The GFO was created in 2015 as an office under the Governor to ensure proper independence from agencies, eliminate potential for actual or perceived conflict of interest and to allow the director of the Department of Administration (DOA) sufficient oversight of the other divisions within the DOA.

The proposed organizational chart for the GFO is shown on page 5 of [Exhibit C](#).

The GFO Budget Division B/A 101-1340 is described on page 6 of [Exhibit C](#). The Budget Division is responsible for developing and presenting a fiscally sound Executive Budget for the Executive Branch of State government reflecting the Governor's goals. Additionally, we provide oversight to State agencies by implementing the Legislatively approved Executive Budget and enforcing most of the provisions in *Nevada Revised Statutes* chapter 353. Other responsibilities include monitoring and forecasting State revenues and supporting the GFO Board of Examiners. The Budget Division is funded entirely by General Fund appropriations. In addition to the Director and Deputy Director, the GFO includes 19 additional staff members.

There are four enhancement decision units requested in B/A 101-1340. Enhancement decision unit E-225 is discussed on page 7 of [Exhibit C](#). This decision unit requests one additional Executive Branch budget officer (EBO) I position. Additional demands placed on the Budget Division which impacts workload include the development of 55 new B/A's since 2015; new programs such as the Silver State Health Insurance Exchange; a number of new programs at the Department of Education; expansion of programs Statewide including Medicaid and additional proposed programs for the upcoming biennium.

E-225 Efficient and Responsive State Government — Page ELECTED-54

The remaining enhancement decision units are discussed on page 8 of [Exhibit C](#). Decision unit E-710 requests computer hardware and software replacement in accordance with the DOA, Enterprise Information Technology Services (EITS) replacement schedule.

E-710 Equipment Replacement — Page ELECTED-55

Enhancement decision units E-805 and E-815 request a one-grade increase for Executive Branch budget officer positions. This request will ensure compensation is commensurate with the duties assigned and compensation is competitive. These positions are unique to the Budget Division and do not impact any other agency.

E-805 Classified Position Changes — Page ELECTED-55

E-815 Unclassified Position Changes — Page ELECTED-55

The Budget Division is requesting supplemental and one-shot appropriations as discussed on page 9 of [Exhibit C](#). The supplemental appropriation covers an unanticipated increase to the cost of the single audit contract, additional funding for the Statewide cost allocation plan and the Attorney General cost allocation plan. This is due to certification costs being incurred in fiscal year (FY) 2019 which should have been incurred in FY 2018.

One-shot appropriations for B/A 101-1340, includes replacement of office furniture that has reached the end of its useful life and a request for stand-up desks for staff.

FY2019 One-Shot, (BUDGET OVERVIEW-21)

We are requesting the Nevada Executive Budget System (NEBS) be refreshed, as this is the system we use to prepare the Executive Budget. Originally, the NEBS upgrade was to be included in the Silver State Modernization Approach for Resources and Technology in the 21st Century (SMART21) project which included financial and human resources system replacements.

During stakeholder meetings hosted by the SMART21 team, it was determined the preferred course of action was to keep NEBS instead of replacing it with a new system. Due to this change of direction, it was decided to place the NEBS refresh in the GFO budget. Key elements of the NEBS refresh include enhancements to improve the usability of the system, modernization of the user interface and security and stability of the system architecture.

CHAIR WOODHOUSE:

I will open the floor to questions from the Committees members.

ASSEMBLYMAN SPRINKLE:

The justification for the new EBO position appears to be directed at the workload from the Department of Health and Human Services (DHHS) budgets. Please describe the workload demands, and explain why this is worse now than in the past.

MS. BROWN:

The new B/A's and expansion of programs are contributing to this request. Approximately 70 to 80 percent of all work programs submitted to our Agency need to be revised. Within the total number of work programs received, 28 percent come from DHHS which equates to a greater demand for their budgets.

Due to staff turnover in our Agency and throughout the State, we have lost institutional knowledge. This is requiring staff to provide more training and guidance not only internally but also to the agencies we serve. Agency staff provides two weeks of financial training during each certified public manager course, which is a new duty. Additional duties have been placed on the Agency since the split with the DOA, which eliminated a business process analyst position who used to provide test scripts for the NEBS system. Those scripts

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are now being written by one of our EBO positions. Other new requirements include an expansion in the type of contracts submitted to our Agency which takes additional time and effort to process.

ASSEMBLYMAN SPRINKLE:

Do 78 percent of budgets submitted require your staff to work with the individual divisions on revisions?

MS. BROWN:

There are 70 to 80 percent of work programs needing revisions.

ASSEMBLYMAN SPRINKLE:

Is providing this level of service new to your Agency?

MS. BROWN:

The percentage of errors has increased in the last couple of years due to turnover in State agencies. This requires our staff to provide additional guidance and training before we return the work programs back for corrections or complete rewrites.

CHAIR WOODHOUSE:

We will move on to questions regarding the position upgrades.

ASSEMBLYWOMAN CARLTON:

Regarding the proposal for position upgrades, it appears the increase would exclude the 3 percent cost of living that would be in the pay bill. I know the DOA's, Department of Human Resource Management (DHRM) was requested to review these positions, and the GFO received a letter, but it was not in the form of an occupational study. Do you plan on requesting an occupational study? Are you aware of the domino effect this request could possibly have on positions in other agencies? Would the proposed upgrade require an adjustment in other agency budgets to keep everyone commensurate?

MS. BROWN:

The DHRM indicated this request will not impact other positions in the State, as EBOs are a unique classification series within the Budget Division.

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ASSEMBLYWOMAN CARLTON:

We have similar positions within the Legislative Counsel Bureau (LCB). We need to try to keep everyone equal, as this might have a domino effect.

Ms. BROWN:

I cannot speak regarding your concern, as we do not see how LCB positions are budgeted.

ASSEMBLYWOMAN CARLTON:

I wanted to make you aware of it. Are you planning on doing an occupational study in the future? The result will impact how this budget is closed.

Ms. BROWN:

The DHRM has given us an initial response stating that they believe the upgrades are appropriate. We have asked them to provide the information in writing.

ASSEMBLYWOMAN CARLTON:

Are they going to do an occupational study, as those take a couple of months to complete?

Ms. BROWN:

Yes. The DHRM has already started working on the study.

CHAIR WOODHOUSE:

We will move on to questions regarding the Educational Assistance Policy (EAP).

ASSEMBLYMAN THOMPSON:

Why did the GFO not present plans to implement an EAP during the 79th Legislative Session's review of the Agency's budget?

Ms. BROWN:

I will not be able to provide an answer to your question, as the EAP was revised in December of 2017 by my predecessor.

ASSEMBLYMAN THOMPSON:

Will the EAP be aimed at training or educational advancement?

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Ms. BROWN:

It is for educational advancement not training. Some staff members are currently enrolled in college courses to advance their skills.

ASSEMBLYMAN THOMPSON:

Why is this being specifically offered to the GFO when we have other worthy State employees? Are there any concerns around equality?

Ms. BROWN:

I do not believe educational advancement opportunities are only being offered at the GFO. We have policies and procedures for the GFO to provide this to our staff. There are similar policies and procedures in other State offices.

ASSEMBLYWOMAN CARLTON:

My understanding is that educational advancement opportunities are being offered through Western Governor's University (WGU) which is more degree oriented rather than offering individual classes. What is the philosophy in paying for a degree for someone when some of the positions do not require one? I have concerns about paying for an actual degree program.

Ms. BROWN:

I do agree that classes offered through WGU are more degree oriented; whereas, classes offered through Western Nevada College can be individually taken for specific needs. I will look into this going forward.

CHAIR WOODHOUSE:

Please present the next GFO budget.

Ms. BROWN:

The activity and staff members within the Division of Internal Audit B/A 101-1342 are discussed on page 10 of [Exhibit C](#). The Division performs internal audit functions by reviewing State agencies. They perform training, internal control reviews and post audit reviews of agency transactions for compliance with State laws and regulations. The Division consists of 12 staff members.

The performance measures for the Division are shown on page 11 of [Exhibit C](#).

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The two enhancement decision units being requested in B/A 101-1342 are described on page 12 of [Exhibit C](#). Decision unit E-225 requests a new executive branch auditor position.

E-225 Efficient and Responsive State Government — Page ELECTED-59

Enhancement decision unit E-710 requests replacement of computer equipment in accordance with the EITS replacement schedule.

E-710 Equipment Replacement — Page ELECTED-59

CHAIR WOODHOUSE:

Please discuss how the Division determines whether a tip from the fraud hotline would require a review or an audit?

WARREN LOWMAN (Administrator, Division of Internal Audits, Office of Finance, Office of the Governor):

The Division has an analysis process which takes into account the level of detail we receive from the tip line and to the extent we can validate a particular claim. If the tip is validated, it leads to a more thorough investigation. If a claim is not substantiated, we would turn the concern over to leadership of the agency in question, but we would not turn it into an executive branch audit.

ASSEMBLYMAN SPRINKLE:

What factors are contributing to a greater number of audit requests?

MR. LOWMAN:

We receive a number of requests from department directors. About 50 percent of our requests come from the Office of the Governor regarding issues they are concerned about and would like us to investigate. The increase in audit requests can be attributed to a turnover in department directors who request our assistance on a host of issues which may or may not rise to the level required for an audit.

ASSEMBLYMAN SPRINKLE:

Is there a timeframe to eliminate the audit backlog? Is there a point where you do not perform an audit?

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MR. LOWMAN:

The Division has a backlog of approximately two and a half years' worth of staff time. Audit requests are prioritized with the Governor's Office and department directors coming first. Requests identified from our risk analysis are performed as time allows. We will never reach a point where we will not perform an audit. The only exception would be if the LCB Audit Division steps in and completes an audit before we do. At that point, our Division would remove it from our audit list.

ASSEMBLYMAN SPRINKLE:

Do you think the backlog is due to a change in administration; is it what we can expect going into the future?

MR. LOWMAN:

The backlog is based on current and recent history. We actually expect the backlog to grow as the newly appointed department directors get settled into their new areas. We will be conducting our biennial risk assessment review after the Legislatively-approved budget is set. We expect this process will add to the number of audits. We believe the Governor's Office may reach out and have other areas for us to assess.

ASSEMBLYWOMAN SPIEGEL:

If you have multiple requests for the same office coming from different sources, would they be looked at together to assess the risk and establish priority?

MR. LOWMAN:

We would try to roll all of the requests into one audit and perform the audit as quickly and efficiently as possible.

ASSEMBLYWOMAN SPIEGEL:

Would that establish priority?

MR. LOWMAN:

Yes, it would establish priority. Priorities are established based on the urgency of the issue.

CHAIR WOODHOUSE:

Please present the final GFO budget.

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Ms. BROWN:

Special appropriations B/A 101-1301 has four enhancement decision units starting on page 13 of [Exhibit C](#). Decision unit E-225 requests funding for leadership activities and training and equipment upgrades for the Nevada Wing of the Civil Air Patrol (CAP).

E-225 Efficient and Responsive State Government — Page ELECTED-70

Enhancement decision unit E-226 requests funding for Public Broadcasting Services to film the *Outdoor Nevada* television series. The funding will support 26 new episodes per year with Kindergarten through Grade 12 classroom digital curriculum and integration of show content onto online and mobile platforms.

E-226 Efficient and Responsive State Government — Page ELECTED-70

Enhancement decision unit E-228 requests funding to the Nevada State Prison Preservation Society for facility upgrades and trust fund revenue in accordance with Assembly Bill (A.B.) No. 377 of the 78th Session. This funding would allow for the acquisition of a change-of-use permit to allow public access to the Nevada State Prison (NSP).

E-228 Efficient and Responsive State Government — Page ELECTED-70

CHAIR WOODHOUSE:

Has the CAP reduced discretionary expenditures given the steady decline of revenues from aviation fuel sales?

Ms. BROWN:

I will provide the answer to these Committees at a later date, as I do not have the information with me.

CHAIR WOODHOUSE:

What other revenue sources has the CAP identified to address the long-term structural imbalance of their budget?

Ms. BROWN:

I will provide the answer to these Committees at a later date, as I do not have the information with me.

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ASSEMBLYWOMAN CARLTON:

Is this a proposal to build these funds into B/A 101-1301, or is this a one-time appropriation to the CAP?

Ms. BROWN:

This is intended to be an ongoing appropriation. Since the CAP is a nonexecutive budget, it will require a bill process in order to appropriate funds to the account. The CAP account has a restriction which states no money can be expended for the purchase of aircraft, training or travel.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

Regarding the funding for the *Outdoor Nevada* television series, there is a television series in northern Nevada named *Wild Nevada*. It appears we are setting these two series up to compete against each other. Can you please discuss the conversation around these two programs?

Ms. BROWN:

I will have to reach out to these programs to get more information. I will provide the response to these Committees.

ASSEMBLYWOMAN CARLTON:

I believe the intent was to have the *Outdoor Nevada* program be nationwide to attract visitors to Nevada. Have there been discussions regarding the use of tourism funds instead of relying 100 percent on General Fund appropriations?

Ms. BROWN:

There were some discussions regarding funding. I will follow up with the Department of Tourism and Cultural Affairs (DTCA) and provide a response to these Committees.

ASSEMBLYWOMAN CARLTON:

We will want to look at grant funding as well.

CHAIR WOODHOUSE:

Along with considering grant funding, what about the possibility of cash matches? Can you please follow up on this funding possibility as well?

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Ms. BROWN:
We will follow up on those items.

ASSEMBLYWOMAN SWANK:

I understand we are in the process of obtaining a Change of Use permit. A.B. 214 is coming forward to fund a feasibility study which is often done before work is started on buildings. Can you discuss the timing issues and why there is a request for appropriations for different projects at the NSP before the feasibility study is complete?

ASSEMBLY BILL 214: Makes an appropriation for a feasibility study relating to further development of a museum at the Nevada State Prison.
(BDR S-535)

GLEN WHORTON (President, Nevada State Prison Preservation Society):

Assembly Bill 214 relates to recommendations from the DTCA, Division of Museums and History as a predicate to the development of a full-fledged museum. The Society is working separately to develop public access to NSP to make it available to the public and generate income through the historic experience of tours.

ASSEMBLYWOMAN SWANK:
Are these separate projects?

MR. WHORTON:

These projects will blend as development continues moving forward. Ultimately the NSP will provide an experience similar to a museum where there will be artifacts and a facility where visitors can move through and experience history.

ASSEMBLYWOMAN SWANK:

Is there an estimate on the total cost to upgrade the NSP so we can have public access? My concern is we will appropriate money not knowing the cost of the entire project.

MR. WHORTON:

The Nevada State Prison Preservation Society is working with an architect specializing in historic preservation, the DOA State Public Works Division, and the Department of Public Safety, State Fire Marshal Division. The projects listed

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for this appropriation are required for the Change of Use permit; these will provide access and ensure the health and safety of visitors.

ASSEMBLYWOMAN SWANK:

Has the architect provided the Society with an estimate for the total costs?

MR. WHORTON:

The architect did not provide a specific estimate; it is difficult to provide based upon the influence of historic preservation requirements. For example, the placement of the American With Disabilities Act of 1990 compliant access ramps would affect the historic fabric of the institution. At this point, the list and associated costs are the best estimate of what would be required to open the NSP for public access.

ASSEMBLYWOMAN SWANK:

I would like to see an estimate on what the entire project will cost.

CHAIR WOODHOUSE:

Please move on to the Office of Science, Innovation and Technology's (OSIT) Graduate Medical Education (GME) program.

BRIAN MITCHELL (Director, Office of Science, Innovation and Technology, Office of the Governor):

The OSIT GME grant program started during the 2015-2017 biennium with an appropriation of \$5 million per fiscal year. The purpose and outcomes of the GME are discussed on page 14 of [Exhibit C](#). We use the GME to grow the number of physician education programs throughout the State in order to train more doctors.

In Governor Sisolak's *State of the State Address* he laid out a recommendation for an additional \$2 million in each FY of the 2019-2021 biennium to be dedicated to the GME. Enhancement decision unit E-275 under B/A 101-1301 requests \$2 million in General Fund appropriations and is discussed on page 15 of [Exhibit C](#). The loan forgiveness and loan repayment program comes from the GME Task Force who unanimously recommended the State look into this area in order to increase the number of physicians per capita in high-need specialties.

E-275 Educated and Healthy Citizenry — Page ELECTED-71

ASSEMBLYMAN SPRINKLE:

It appears approximately \$1.7 million remains in FY 2019 for GME grants. Is there an intent to utilize this already appropriated funding?

MR. MITCHELL:

The OSIT manages the GME, and we currently have issued a request for application (RFA) for the \$1.7 million. The applications are due in April 2019, and the GME Taskforce will review and make recommendations to the Governor regarding which programs should be funded in May 2019. The funding will be awarded before the end of FY 2019.

ASSEMBLYMAN SPRINKLE:

How will the loan forgiveness and loan repayment program operate?

MR. MITCHELL:

The GME Task Force, who are experts, will assist OSIT in establishing parameters of the program. The GME accredited providers will be eligible to apply for a grant to establish a loan forgiveness or loan repayment program and utilize funding to offer scholarships in their recruiting process. This program will provide GME providers the opportunity to attract high-caliber students by offering incentives to the students for remaining in Nevada after concluding their residency. For example, in exchange for loan repayment, we offer them a certain amount of money over a five-year period.

They in turn would be required to stay and practice in Nevada for a period of time. Research states once a doctor is established and practicing they are less likely to leave a state and move elsewhere. We will be successful in attracting high-caliber students and rooting them here in Nevada.

ASSEMBLYMAN SPRINKLE:

Would preference be given to Nevada students before other states?

MR. MITCHELL:

We have not developed that level of detail as to whether there would be a preference for directing these loan forgiveness programs at Nevada residents.

We want to research the details as to how other states operate a successful program.

ASSEMBLYMAN SPRINKLE:

My thought process is if a student grows up and goes to college in Nevada they will be more likely to stay. Is this going to require any legislative action to implement the program?

MR. MITCHELL:

I do not believe this will require any Legislative action. The grant program is established; there is an existing GME Task Force making recommendations to the Governor. This program can be created in the same manner as the GME program.

ASSEMBLYMAN THOMPSON:

I have questions regarding the operation of the program. How will the RFA process utilize the remaining \$1.7 million in GME grant funds? What is the average amount of debt a student may have when requesting a scholarship?

MR. MITCHELL:

Our existing GME program creates new residency programs. For example, in the past, the University of Nevada, Reno (UNR) School of Medicine did not have a geriatric program. The GME grant program funded the one-time startup costs for the UNR School of Medicine geriatric program. We are proposing to utilize the \$2 million to establish a loan forgiveness or repayment program. I am not sure what the average amount of student debt is nor have the parameters been set as to how much will be offered to a student. We will be looking at other states that operate a successful program to determine the best way to spread the funding as widely as possible while still making it effective.

ASSEMBLYMAN THOMPSON:

Looking at the justification for this program, it states the participating physician would be required to remain in Nevada for a designated time and practice in a community of need. How will you track those requirements as well as physician retention rates?

MR. MITCHELL:

Each GME accredited institution is required by the State and national accrediting bodies to track where residents are located. The UNR School of Medicine completes an annual report listing the location of students after they complete both their graduate medical education and residency. No location data exists for students who started in programs funded by GME. A residency lasts three to four years. Our program only started awarding grants in FY 2016, so none of our students are finished.

Based on a study conducted in 2018, 41 percent of physicians graduating from Nevada GME programs plan to remain in the State, 33 percent plan to leave the State and practice elsewhere and 26 percent plan to continue training in programs which Nevada does not offer. This equates to 59 percent of GME graduates who plan to leave the State. If our existing GME program can continue to fund new programs, such as Pediatric Emergency Medicine, which is a sought after program we did not offer previously, it will help tackle the 26 percent who are planning to leave the State and train elsewhere. If we can fund a loan forgiveness or repayment program, it will help us retain the 33 percent who plan to leave and practice elsewhere.

ASSEMBLYWOMAN TITUS:

We have supported expanding the GME program in order to retain physicians in the State. It was my understanding that the funding went to the institutions who provided the education to offset the graduate student salary. Is the proposed new funding intended to go directly to the residents and not to the accredited institution who provided the education?

MR. MITCHELL:

Our existing GME grant program awards funding to institutions, such as the UNR School of Medicine, who then use the funds for startup costs which might be paying resident salaries or facility infrastructure to setup classroom space. The proposed additional funding will establish a loan forgiveness or repayment program; funds would be granted to an institution to pay off a student's under graduate medical education loan.

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ASSEMBLYWOMAN TITUS:

You stated these funds will be available to offset an individual's under graduate medical education if they agree to complete their residency in Nevada. Will there be a requirement to practice in Nevada if they accept these funds?

MR. MITCHELL:

Yes. In exchange for completing a residency program and then practicing in Nevada for a certain number of years, the number of required years has not be determined, we will help offset a portion of their under graduate medical loans. Typically, when medical students graduate they have high loan payments. Since they receive a small salary during their residency, it incentivizes them to choose a subspecialty that will offer a higher pay range in the future, as opposed to choosing primary care or mental health. If we can lower the cost of their loan payments in exchange for them doing a primary care residency, the math may work out so that they do not go into a higher paid subspecialty.

ASSEMBLYWOMAN CARLTON:

We are starting a new program, and there are questions regarding how it will work. We want to make sure the guidelines are appropriate. Why do you think a bill is not necessary to implement this program?

MR. MITCHELL:

We are happy to have a conversation. If you feel legislation is necessary, we would be willing to work with you on it. Based on the experience with the existing GME program, I believe legislation would not be required for this program.

ASSEMBLYWOMAN CARLTON:

We should continue the conversation about legislation regarding this program. If we do appropriate funding, we need specific guidelines so everyone is aware of the rules and how the program will work.

MR. MITCHELL:

We will be willing to have more conversations regarding this issue.

SENATOR CANCELA:

How many students take advantage of the program each year?

MR. MITCHELL:

When institutions apply for funding for a specific program, they specify how many residency spots they will offer. The number of residency spots offered to date is 132. Some of the programs are still new, and the physician match does not occur until the summer. This match process is where residents and programs choose each other. There are 132 spots, but we do not have the same number in training until after the match process occurs.

SENATOR CANCELA:

There will be 132 residents, and we expect less than half to remain in the State?

MR MITCHELL:

Yes, that is a good estimate.

SENATOR CANCELA:

What is the rubric in deciding what programs get funded?

MR. MITCHELL:

The RFA specifies applications will be evaluated on specific criteria. The application must include a work plan describing the design of the program and what didactic activities are planned for the residents. The application is required to address the sustainability of the program and if the applicant will be able to sustain the program long term. The application must address data collection and evaluation. Programs have to provide data which identifies the need for a specific program. In addition, on the last page of the RFA, we list the current specialty and subspecialty programs offered in Nevada; we require all applications seek to create a new GME program for areas where Nevada is below the National average. For every program we fund it is in an area of need.

ASSEMBLYWOMAN SPIEGEL:

What is the contemplation regarding people who take part in the program but then do not fulfill their obligations? Would interest rate and penalties be accrued while repaying the loan? If so, what will happen to those monies?

MR. MITCHELL:

We have not worked out the specific details regarding interest rates, penalties or how those monies would be recouped; however, students would be required

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to repay the loan plus interest and penalties if they did not fulfill their service obligation.

ASSEMBLYWOMAN SPIEGEL:

Historically, there have been disparities in resident's salary by gender. Will there be a requirement in this program where there will be equal pay for equal work?

MR. MITCHELL:

In the programs which we fund, there are no disparities in pay by gender. All residents receive the same salary.

ASSEMBLYWOMAN SPIEGEL:

Would that be a requirement?

MR. MITCHELL:

Correct. It is a requirement.

ASSEMBLYWOMAN NEAL:

Have you looked at other graduate repayment programs in other states that have implemented the program successfully in order to not reinvent the wheel?

MR. MITCHELL:

We have looked at a number of different programs in other states. The desire is to ensure the program works well for Nevada as opposed to copying and pasting something from another state. Certainly, with any program there are ways to improve upon it. If something does work well in another state, and we believe it will work well in Nevada, we would have no problem incorporating it. We decided to present the general parameters of the program, if approved through the legislative process, we would go back and figure out the specific details.

CHAIR WOODHOUSE:

We will now hear from the Controller's Office.

CATHERINE BYRNE, CPA (State Controller, Office of the State Controller):

I will be presenting the budgets for the State Controller's Office B/A 101-1130 and B/A 101-1140.

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Controllers Office - Debt Recovery Account — Budget Page ELECTED-265
(Volume I)
Budget Account 101-1140

The mission of the State Controller's Office (SCO) can be found on page 2 of the "Office of the State Controller FY 2020-2021 Budget Presentation" ([Exhibit D](#)).

The overview, authority and organization of the SCO is discussed on page 3 of [Exhibit D](#). The responsibilities of the State Controller are detailed throughout Chapter 227 of the *Nevada Revised Statutes* (NRS) and the *Nevada Administrative Code*. The NRS 353.288 requires the Controller to determine and transfer if necessary the amount due to the Account to Stabilize the Operation of the State Government, also known as the "Rainy Day Fund," on an annual basis.

The NRS 353.291 requires the Controller to promulgate the State accounting procedures law as determined by legislative policy. The NRS 353.293, subsection 1, paragraph (a) requires the Controller to establish a system of accounting for the State. It should present fairly, and with full disclosure, the financial position and results of financial operations of the funds and account groups of the State in conforming with generally accepted accounting principles (GAAP), as defined by the Government Accounting Standards Board.

Chapter 353C of NRS is the statutory mandate for the Debt Recovery B/A 101-1140. The NRS 353C.226 creates the Debt Recovery Account in the General Fund. Monies in this account are solely for the purpose of supporting debt collection efforts by the State Controller. In addition, NRS 353C.135 authorizes the State Controller to collect debts owed to the State with costs and fees actually incurred to collect the debts. The State Controller also collects a fee of 2 percent of the amount of the debt assigned to the State Controller for collection. The NRS 353C.224 states the State Controller shall deposit money collected into the Debt Recovery Account, if the agency for which the debt was collected was funded by the General Fund. Interest collected on installment

agreements made between the State Controller and the debtor are also deposited into the Debt Recovery Account.

The organizational chart of the SCO is located on page 4 of [Exhibit D](#). We are organized into four distinct sections: debt collections, operations or agency services, financial reporting and information technology (IT). The State Controller is in charge of the State's integrated financial system, commonly referred to as the Advantage system.

As chief financial officer, the State Controller pays claims against the State and insures compliance with State fiscal laws and federal revenue laws. We help State agencies manage their budgets and track federal receipts and expenditures. Each year the State Controller prepares: the comprehensive annual financial report (CAFR), the popular annual financial report, the schedule of expenditures of federal awards and the Cash Management Improvement Act annual report. This report results in interest exchanged with the U.S. Treasury Department depending on how the State agencies manage certain major federal programs. The SCO prepares the quarterly financial statement for the Permanent School Fund.

The SCO is the financial hub for the State of Nevada, as depicted on page 5 of [Exhibit D](#). All financial transactions are processed through our office. The commerce of the State is dependent upon the continued performance of these duties. The CAFR prepared in accordance with GAAP is essentially the marketing and selling of State bonds.

LORI HOOVER (Chief Deputy Controller, Office of the State Controller):

I will start with the debt collection system update, as discussed on page 7 of [Exhibit D](#). Due to the number of manual processes involved in debt collection, it was difficult to collect monies in a timely manner. The debt collection system went live in February 2017. There are additional manual processes that need to be automated. Some of these processes take coordination between the debt collection section, the Controller's IT section and other agencies.

The processes actively being worked on are discussed on page 10 of [Exhibit D](#). We continue to research processes to enhance the debt collection system. Collecting debt assists the State overall to ensure monies owed are received. Only the General Fund debt recovered is available to pay down the

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performance-based contract for the debt collection system. Per statutes, debt collection from funds other than the General Fund and debt related to federal grants must be returned to the agencies.

The only other payment made to the contract is the annual maintenance of approximately \$160,000 per year. As of January 2019, the debt collection section has about \$2.4 million in active accounts. We currently do not have a report to show the age of these accounts.

CHAIR WOODHOUSE:

Before we ask questions regarding debt collection, are you going to address the Oracle Discoverer software replacement, as we do have questions in that area?

CONTROLLER BYRNE:

Yes. We will be addressing the business intelligence program that replaces the Discoverer software.

CHAIR WOODHOUSE:

We will take questions on debt collections and recovery at this point.

ASSEMBLYWOMAN CARLTON:

Did I hear you correctly? The SCO does not have a report which will give us an idea on the actual percentage of debt collected?

Ms. HOOVER:

That is correct. Currently, we do not have adequate reporting.

ASSEMBLYWOMAN CARLTON:

When do you think that a report will be available?

Ms. HOOVER:

Debt collection is one of the tasks I was assigned upon coming to the SCO. Currently, we are working on issues with the reports. We have several reports, but they are contradictory. We need to find out where the information is coming from so we can ensure accurate reporting.

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ASSEMBLYWOMAN CARLTON:

Would it be fair to say, if we asked questions regarding the dollars and why they have not materialized, it would be hard for you to answer?

Ms. HOOVER:

Yes. That would be correct.

ASSEMBLYWOMAN CARLTON:

Was there an issue with the previous administration that we need to be aware of?

Ms. HOOVER:

I am not sure. I was told the system was reduced in scope due to issues with the contract and the vendor. The system received did not come with any reports. We do have some reports that are generated to help pay down the contract, but it is specific to the monthly transactions and does not include an overall view of what accounts are being worked on, what is available, which accounts are active and the age of the accounts.

ASSEMBLYWOMAN CARLTON:

I think that answers a number of the questions we have.

ASSEMBLYMAN KRAMER:

One of the intents of the debt collection system was to match debtors of the State against payments made by the State to those same debtors. Has this process been accomplished, and have we recovered any money in payments made to vendors who in turn owe the State money?

Ms. HOOVER:

We have started the process. We are working with the Department of Employment Training and Rehabilitation (DETR) in order to do employer matches to determine if their employees are debtors against the State. This will allow us to garnish their wages. We are trying to work on the vendor offset program, which will make sure if we pay a vendor through the Advantage system who owes the State that we are reducing the payment amount.

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CONTROLLER BYRNE:

The debt offset program has been in place for several years, and it is effective. The vendors get placed on hold if they are indebted to the State.

ASSEMBLYWOMAN NEAL:

How much has the debt collection system vendor been paid to date, and what is the remaining balance of the contract?

Ms. HOOVER:

The total cost of the contract was \$3.4 million for a 5-year contract period. The contract is divided into two different pieces: performance based of \$2.3 million, and annual support of \$1.1 million. We have paid down on the performance-based piece of about 4 percent of the total cost.

ASSEMBLYWOMAN NEAL:

There is \$2.4 million for performance based; however, the system does not provide useful reports. What is the performance based on?

Ms. HOOVER:

"Performance based" means we do not pay against the contract unless we collect debt. A table illustrating the total amount of debt and the amount collected by month per FY before implementation of the system can be found on page 8 of [Exhibit D](#).

Collection information after implementation of the system is shown in the table on page 9 of [Exhibit D](#). Not all debt collected is allowed to be paid on the contract. This means if the debt collected is associated with any other fund besides the General Fund or is related to a federal grant, those amounts must be returned to the State agencies and are not available to pay down on the contract. Looking at page 9 of [Exhibit D](#), the last two columns represent FY 2019 to date. The debt collection section collected \$767,045.33 of which only \$121,054.60 was available. There are other restrictions regarding the performance-based contract. There is a baseline. If we do not collect more than \$3,000 per month, nothing gets paid against the contract; anything above \$3,000 per month, then 75 percent of that goes towards the contract.

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ASSEMBLYWOMAN NEAL:

You previously stated that your office can not retrieve active accounts, but there are actual collections being received. How does this work?

Ms. HOOVER:

I may have misspoke. What I was trying to say is that we cannot see a cumulative total of account balances to know what our total debt is at a given time. I do have some reports, but I do not know if they are correct. The reports we can generate are on the monthly activity. The report that cannot be generated is one which shows the cumulative total of debt and an aging account receivable for each debtor.

ASSEMBLYMAN SPRINKLE:

It sounds like a lot of the difficulty came from the previous administration. As some members have stated, having accurate data would be helpful for us to know.

SENATOR DENIS:

Originally, the projections for debt collected were \$30,000 to \$35,000 monthly. Is that happening?

Ms. HOOVER:

No. It is not. Those numbers did come from the vendor; however, it was also based on certain tools being implemented by now, and those are the tools that we are working on. We hope when we implement the wage garnishment and the employer match with DETR, those tools will give us the ability to have access to more debtors. We do hope that we will make that projected amount; however, at this point in time, I do not know if it will be correct.

SENATOR DENIS:

What would the projections be today taking into consideration those tools not being implemented?

Ms. HOOVER:

Please refer to the last column in the table on page 9 of [Exhibit D](#). The last few months of collections under FY 2019 are close to the projection due to one account which was on a payment plan of \$16,000 per month. At this point in

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time, the average is \$4,000 to \$6,000 per month which is available to be paid down on the contract.

SENATOR DENIS:

Do you think that with the additional tools being implemented those figures will increase significantly?

Ms. HOOVER:

Yes, I would hope so, as those tools will give us increased opportunities to find more debtors.

CHAIR WOODHOUSE:

Please proceed to the business intelligence system (BIS).

Ms. HOOVER:

The BIS is discussed on page 11 of [Exhibit D](#). The BIS was intended to provide three functionalities. The first was to replace Discoverer report templates which agencies use to obtain additional information from Advantage. The second was to provide data analytics through the creation of ad hoc reports which provides better detailed information from Advantage. The last was to provide an open checkbook on the internet for transparency into the state financial transactions.

In July 2018, report templates and the data analytics were made available to some State agencies. As of today, eight agencies are using the report templates, and one agency is using the data analytics functionalities. We are working with the SMART21 staff to provide training to State agencies for Advantage and other related applications and to schedule the report template training. This will allow our office to determine the end date for the Discoverer application.

The BIS tool update is discussed on page 12 of [Exhibit D](#). While the data analytic function can be used, there are two issues which are limiting the number of users given access. First: the Advantage system was installed before it was necessary to restrict access to personal identifiable information (PII). During the programing of the data analytic section, it was discovered that agencies regularly included PII in open text fields. These fields are part of the information available to users when using the data analytics functionality.

Second: servers purchased to house the BIS are not strong enough to run simultaneous multiple large report requests. The BIS runs extremely slow or even shuts down if too many users request too much information at the same time. The open checkbook transactions are not available for access by the public as they contain the same PII as the data analytic section. We have no support for the Advantage system, so it is not possible to work with a vendor to assist with removing PII before the open checkbook transactions are made public. It would be difficult and costly for the SCO to review each transaction and filter out PII before making the open checkbook transactions available to the public. At this time, the SCO does not intend to move forward with the open checkbook functionality.

SENATOR DENIS:

Do you have a name for the BIS?

Ms. HOOVER:

It is called IHub.

SENATOR DENIS:

The IHub has been in place for six months, but it is not widely used. When do you anticipate that everyone will start using IHub instead of Discoverer?

Ms. HOOVER:

We have requested that our CAFR accountants start utilizing IHub for the upcoming financial statement process. We are working with the SMART21 staff to train the State agencies. We will look at who uses the Discoverer system and reach out to them first, so we can start training them. We are hoping that within six to nine months everyone will be moved over to IHub.

SENATOR DENIS:

What has been the delay in getting everyone switched over?

Ms. HOOVER:

There were internal personnel issues within our IT section. In addition, the contractor who was brought in to create the BIS left during the process and did not leave good documentation, which meant some of the pieces had to be recreated from the beginning. We now share a training officer with the

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Governor's Office of Finance, Office of Project Management. They ensure our training occurs, but we have to train their trainer because it is a new product.

SENATOR DENIS:

You mentioned an issue with the vendor. Do you still have support for IHub?

Ms. HOOVER:

The issue was with a contracted employee. We do have support through the vendor and do not have any issues with the application itself.

SENATOR DENIS:

Is IHub compatible with the State's accounting system?

Ms. HOOVER:

Yes. IHub is pulling information from the Advantage system correctly.

SENATOR DENIS:

Will IHub be compatible with the SMART21 project?

Ms. HOOVER:

The State has not picked a vendor, so we do not know what application is going to be utilized. I image IHub would be compatible, as it is a fairly current system. We will not know until a vendor is chosen. As part of the RFP process, there was a BIS tool requested for the new system.

SENATOR DENIS:

Do you believe the two systems will be able to talk each other, since we are using standard processes in IHub?

Ms. HOOVER:

Yes. I believe they would.

ASSEMBLYWOMAN CARLTON:

During the 79th Session, there were long discussions regarding the training officer and the training facility. We ended up eliminating the training facility, but we kept the training officer because we wanted to make sure that State employees were appropriately training in the NEBS. It is my understanding that

the SCO will be using a different type of instructor, and I want to make sure that we understand who actually will be providing the training.

Ms. HOOVER:

I had a discussion with our LCB Fiscal Analyst regarding this issue, and there is some confusion. The SCO training officer position was moved to the DOA when the incumbent of the position retired; DOA did not fill the position. Due to that reason, DOA is requesting to eliminate the position. The Office of Project Management SMART21 project has a management analyst position whose job duties include being a trainer. The SMART21 trainer has been providing training on the Advantage system, and we have always offered Advantage training for State agencies.

ASSEMBLYWOMAN CARLTON:

I believe we all agree that it is important to have employees properly trained in all these systems. We will need to have further discussions on this issue.

CONTROLLER BYRNE:

There is an online training system for the State which has a lot of these courses such as Discoverer, Advantage and Vista. Although the online training system is thorough and accurate, it is not the best training tool. The live classes seem to work best for training people on these systems.

ASSEMBLYWOMAN CARLTON:

With the new accounting system coming aboard, it warrants even more training to ensure State employees are provided with the training they need.

CHAIR WOODHOUSE:

All of our questions have been discussed. Is there anything else you would like to share with the Committees?

CONTROLLER BYRNE:

I would like to present our 2019-2021 biennial budget request. Starting with B/A 101-1130, the Governor's recommended budget summary is presented in a table on page 15 of [Exhibit D](#). This B/A is funded with General Fund appropriations. Maintenance decision unit M-106 adjusts cost pools and rates for the EITS. This adjustment reflects additional services that EITS will be providing for the SCO. Adjustments to the base budget include one-time

expenditure adjustments. I will have to provide you the detail for these adjustments at a later date, as I am not sure what is included besides vacancy savings.

M-106 Eits Cost Pools and Rates — Page ELECTED-262

Enhancement decision unit E-710 requests equipment replacement in accordance with the EITS replacement schedule. There is a typographical error under FY 2020; the requested amount is \$70,811.

E-710 Equipment Replacement — Page ELECTED-263

The Debt Recovery Account B/A 101-1140 is discussed on page 16 of [Exhibit D](#). The revenue resources for this B/A includes reserves, state cost share for collection activities, debt recovery fees and reimbursement of expenses. This B/A is authorized to carry a balance forward amount; however, we are restricted on how those reserves can be utilized.

The Governor's recommended budget expenditure summary is presented in a table on page 17 of [Exhibit D](#). The Debt Recovery Account transfers money to the Controller's Office B/A 101-1130 for salary costs of the three positions assigned to the debt collection section. The transfer is based on the amount of money collected, so it might not cover the entire cost of these positions.

The performance indicators, both actual and projected, for the SCO are shown on page 14 of [Exhibit D](#). We are trying to refine our performance indicators. One of them is the "total percentage of debts collected within 120 days" performance measure. Actually, it is what we are able to actively collect in 120 days under the debt collections system. Regarding the performance indicator "number of documents keyed by SCO" many of the documents keyed are for internal service funds such as DOA, Fleet Services Division; Nevada State Library, Archives and Public Records; State Mail Room and EITS.

The "percentage of vendors paid by EFT" performance indicator is projected at 90 percent. The cost to write a check to a vendor is expensive. Costs include checks, printing, staff salary and postage. If a check is not cashed, it will go stale and will remain on the books for six years. Another performance indicator

is "State accounting class" which is taught by the CAFR accountants with instruction on accounting policies and procedures.

Current initiatives, projects and obligations are shown on page 6 of [Exhibit D](#). Most of the current projects are for the debt collection section of the SCO. To date, the SCO has not fully implemented S.B. No. 21 of the 77th Session which allows the SCO to offset the debts of licensed professionals before they obtain a new license. I do not know the status of this implementation; however, I know that it has not been actively addressed. The SCO CAFR accountants continue to implement new accounting standards, which require a lot of staff time.

Visions for the future is discussed on page 13 of [Exhibit D](#). As mentioned before, the issue with the rollout of the online checkbook deals with PII. I would like to reach out to young finance professionals because many staff members in the SCO are retiring. Due to the number of years involved in training for our staff members, I would like to get young professionals in sooner.

CHAIR WOODHOUSE:

We understand there are a lot of issues, and we understand that we will need to bring you back to the money committees to handle the update on information.

We will now hear from the Gaming Control Board and the Nevada Gaming Commission.

SANDRA DOUGLASS MORGAN (Chair, Nevada Gaming Control Board):

I will provide a brief overview of the Gaming Control Board (GCB) before moving into the biennial budget. Gaming regulation in Nevada is described on page 2 of the Nevada Gaming Control Board and Nevada Gaming Commission Budget Overview ([Exhibit E](#)). It is a two-tiered oversight system. The GCB has three members, and we currently have a vacancy. We are the day-to-day regulators for gaming. The Gaming Commission is a part-time body with five members; there is currently one vacancy. The Commission is the final authority on all gaming matters, and they set gaming policy for the State.

The regulatory structure organizational chart is shown on page 3 of [Exhibit E](#). In addition to the GCB and the Commission, there is a Gaming Policy Committee; it is an advisory committee which is set at the call of the Governor. There are

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12 members on the committee. It consists of one member from the Senate, one member from the Assembly, a member of the GCB, a member of the Commission, a member of a Native American tribe, six members from the public and representatives from both unrestrictive and restrictive licensees.

The GCB mission is discussed on page 4 of [Exhibit E](#).

The employee distribution can be found on page 5 of [Exhibit E](#). As you can see, we have employees throughout the State. Our Enforcement Division is our Peace Officer Standards Training (POST) certified firearm carrying officers that are located in all five jurisdictions. The majority of our employee base is in Las Vegas.

Historical staffing numbers can be found on page 6 of [Exhibit E](#). As you can see, there has been a decline in employee staffing. Part of the reason for the decline is increased technology; the Investigations Division can access information regarding licensees online.

The GCB and Commission funding by source is shown on page 7 of [Exhibit E](#).

A comparison of Nevada's cost per casino to other jurisdictions' cost is shown on page 8 of [Exhibit E](#). The State has 458 casinos, the largest by far compared to any other state in the Nation. The regulatory cost for a casino is only \$101,872. As you can see on the graph, we are at the bottom for those costs.

The total FY 2018 General Fund collections by type of collection is shown on page 9 of [Exhibit E](#). The GCB represents 21.7 percent of the General Fund collections at \$866,305,681.

Gaming revenues for FY 2018 collected by area are shown on page 10 of [Exhibit E](#).

I will now present enhancements to our budgets.

Operating enhancement decision units for the Commission B/A 101-4067 are presented on page 12 of [Exhibit E](#). The Commission is a five member part-time Commission.

COMMERCE AND INDUSTRY

GAMING

GCB - Gaming Commission — Budget Page GAMING CONTROL BOARD-14
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Budget Account 101-4067

More detailed information regarding enhancement decision units for the Commission are located on page 13 of [Exhibit E](#). Decision unit E-225 requests to increase travel funding. The Commission has two meetings in Carson City with the remainder of the meetings held in Las Vegas. Due to the April 2018 meeting which was scheduled for Carson City being held in Las Vegas, in-State travel costs in the base year were lower than normal. In addition, there is a vacant member position which effected the base year amount. Increase in funding for out-of-state travel is being requested.

Currently, there is a lot of activity happening around gaming, not only with the U.S. Supreme Court decision regarding the Professional and Amateur Sports Protection Act (PASPA) in *Murphy v. National Collegiate Athletic Ass'n*, 138 S.Ct. 1461 (U.S.,2018) but also with discussion regarding the Wire Act in *18 U.S. Code § 1084 (a)*. It is important that both the Commission and the GCB are engaged, attending and interacting with other jurisdictions so Nevada is up to date in those areas.

E-225 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-15

Enhancement decision unit E-226 requests increased funding for registration fees for one commissioner to attend the American Bar Association conference focusing on gaming law.

E-226 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-16

Enhancement decision unit E-227 requests increased funding for the sole employee of the Commission, who is located in Las Vegas, to attend a

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week-long course on gaming related issues offered at the University of Nevada, Reno.

E-227 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-16

Enhancement decision unit E-243 requests funding for six cell phones for one staff member and all five commissioners due to the Nevada Supreme Court Decision on *Comstock Residents Association v. Lyon County Board of Commissioners*, 414 P.3d 318 (Nev., 2018), pursuant to NRS 239.

E-243 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-16

CHAIR WOODHOUSE:

What factors are contributing to a projected increase in in-State travel expenditures when compared to actual in-State travel expenditures in FY 2018?

MS. DOUGLASS MORGAN:

In FY 2018, the scheduled meeting in April 2018 was supposed to be held in Carson City. Due to four of the commissioners being located in Las Vegas, the Chair moved the meeting to Las Vegas resulting in less travel expenses. In addition, the request includes additional travel for the Chair to attend workshops held in Carson City and Las Vegas as well as to attend Gaming Policy Committee meetings, if they are so called by the Governor.

Operating nonpersonnel enhancement decision units for the GCB B/A 101-4061 are presented on page 14 of [Exhibit E](#). The request for hepatitis B vaccinations for our 24 hours a day, 7 days a week enforcement agents. The vehicle upgrades request are for the Audit Division and Enforcement Division.

GCB - Gaming Control Board — Budget Page GAMING CONTROL BOARD-7
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Budget Account 101-4061

More detailed information regarding enhancement decision units for the GCB begin on page 15 of [Exhibit E](#). Decision unit E-226 requests increased funding for miscellaneous dues and registrations. Registration fees for the International

Association of Gaming Regulators (IAGR) is an organization that the GCB has historically held membership to retain our status as the leader of gaming regulations. It is important that all three Board members are members of the IAGR.

We are requesting increased seats for online training for GCB employees. We do have a significant number of staff who are able to retire. We want to ensure our employees with less tenure have training opportunities. In addition, we are requesting increased funding for registrations and subscriptions for regulatory resources which all divisions rely on to conduct research and gather information.

E-226 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-9

Enhancement decision unit E-227 requests funding for miscellaneous hardware maintenance contracts. These contracts were not used in the base year, but we would like to utilize them to further enhance cost savings to the State.

E-227 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-10

The continuation of detailed information regarding the remaining enhancement decision units for the GCB B/A 101-4061 are discussed on page 16 of [Exhibit E](#). Decision unit E-229 requests funding for the hepatitis B vaccination series. The Enforcement Division staff who are POST certified, have arrest authority, and engage with individuals who are committing criminal acts relating to gaming did not opt to receive the vaccination series in the base year. However, we feel having the option for those staff members to receive the vaccination series is necessary.

E-229 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-10

Enhancement decision unit E-242 requests funding to upgrade five leased vehicles. The Audit Division travels to rural and urban communities throughout the State to ensure our licensees are being properly audited, and their taxes are being properly remitted. Each trip can possibly extend into multiple days, so upgrading the vehicle size will ensure all equipment and luggage fit in the

vehicles. In addition, four vehicles are requested for the Enforcement Division which has staff that is POST certified.

E-242 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-11

Enhancement decision unit E-720 requests funding for portable desk risers. The GCB has established an internal policy which establishes qualifications needed for the employee to obtain a desk riser. These will encourage more mobility for our employees, as many of them sit eight to nine hours a day.

E-720 New Equipment — Page GAMING CONTROL BOARD-11

Position enhancement decision units for the GCB B/A 101-4061 are presented on page 17 of [Exhibit E](#).

Enhancement decision unit E-225 requests to abolish a regulatory supervisor position as discussed on page 18 of [Exhibit E](#), due to a decrease in nonrestricted applications, which are larger casinos that have more than 15 slot machines or a combination of slot machines and a racebook. The investigative time on licensees or applicants is streamlined as they provide us more information via email; the quality of applicants have improved.

E-225 Efficient and Responsive State Government — Page GAMING CONTROL BOARD-9

Enhancement decision unit E-805 requests to reclassify an executive assistant position as discussed on page 19 of [Exhibit E](#). I am asking to withdraw this decision unit and retain the position "as is". Other State agencies have this type of position who reports to either the agency head or chair. I am asking to keep this position with the understanding that it is an "at will" position as the Chair could fluctuate between Carson City and Las Vegas based upon the appointment of the Governor. I am seeking to fill this position with current GCB administrative assistants to maintain institutional knowledge of the GCB.

E-805 Classified Position Changes — Page GAMING CONTROL BOARD-11

Enhancement decision unit E-818 requests administrative unclassified job title changes as discussed on page 20 of [Exhibit E](#).

E-818 Unclassified Position Changes — Page GAMING CONTROL BOARD-12

Changes to the submitted budget for the GCB B/A 101-4061 are described on page 21 of [Exhibit E](#). The GCB requests to increase in-State travel, for both the Audit Division and Tax and License Division. We currently have an audit cycle of approximately every two and a half years to ensure an employee of GCB is contacting our licensees. The increase of \$15,000 per year was approved by the Governor's Budget Office.

The GCB received a quote in December 2018, after the budget submittal deadline, for firewall maintenance. We request increased funding of \$26,837 per year in order to initiate a firewall maintenance contract. The building lease adjustments include the Carson City office, the Gaming Lab and Technology Division based in Las Vegas—but not in the Grant Sawyer State Office Building.

The GCB has two one-shot requests as shown on page 22 of [Exhibit E](#). The building security system replacement are for the Carson City office and the Las Vegas office where the Technology Division and Gaming Lab are located.

The security enhancements which will replace building security systems are further discussed on page 23 of [Exhibit E](#).

FY 2019 One-Shot, (BUDGET OVERVIEW-24)

The alpha migration project (AMP) overview can be found on page 24 of [Exhibit E](#). The AMP was initially submitted as a six-to-eight-year project; however, due to reduced funding in the 2017-2019 biennium and Legislative mandates regarding overseeing club venues, the timeline was extended. I have included a screen shot of the existing legacy common business oriented language (COBOL) system as shown on page 25 of [Exhibit E](#). This system was enacted in 1983. It is an antiquated system. It does not allow for spell check or correcting additional addresses. All information has to be input manually.

A screen shot of the new Systems and Gaming Enterprise is shown on page 26 of [Exhibit E](#). This system provides a more efficient way to track licensees and to

collect tax and information data. This is a more user-friendly system not only internally but externally as well.

The AMP timeline is shown on page 27 of [Exhibit E](#). Some divisions within the GCB still use the legacy COBOL system. This new system automatically generates the reports we need and reduces the staff time necessary to generate those reports in the past.

The technology one-shot request for the AMP is discussed on page 28 of [Exhibit E](#). The GCB is requesting continued funding for Ciber Global, LLC, who is the contracted vendor for the project. The vendor staff are now the subject matter experts on GCB applications as they have been working on the AMP for several years. We will need additional funding in the next biennium.

FY 2019 One-Shot, (BUDGET OVERVIEW-24)

The importance of the GCB database is detailed on page 29 of [Exhibit E](#). The licensee status and disciplinary history, which is very important to ensure it is updated and timely, has been migrated to the new system. The Tax and License Division was the first division to be migrated to the new system. It is very important for ensuring we are collecting what we need to collect.

Migration issues of the AMP are discussed on page 30 of [Exhibit E](#). We have a limited availability of legacy COBOL programmers due to turnover and attrition. During the 79th Session we had three employees who were trained on the legacy COBOL system. We are down to one person who is also eligible to retire.

It is important that we have the institutional knowledge from the one person. As this project goes on, we will not be able to find individuals who are able to assist with the management of the legacy COBOL system. There is minimal data entry validation. Consequently, we can have errors to addresses, misspellings and licensee information; however, the new system automatically corrects those.

The AMP benefits to the GCB are discussed on page 31 of [Exhibit E](#).

An overall summary of the AMP progress is discussed on page 32 of [Exhibit E](#). The development and production release of club venue applications for

S.B. No. 38 of the 78th Session was not work considered when the project was initially broached to the Legislature in 2014. The next major development effort will be person information and associated applications such as gaming employee registration. These are for any employee who works at any gaming establishment making sure their information is migrated into the system.

CHAIR WOODHOUSE:

Is the total number of Investigation Agent positions sufficient to accomplish the Agency's statutory requirements?

MS. DOUGLASS MORGAN:

Yes, we do believe the existing staff will be sufficient. Since FY 2010, there has been a decrease in applications, and improved technology has increased our investigative speed. We believe our current staffing ratio in the Investigation Division provides an adequate span of control and allows us to fulfill our statutory duties while still eliminating this position.

ASSEMBLYWOMAN BENITEZ-THOMPSON:

It appears the initial projections for the AMP had a total cost of \$11 million with a project end date of FY 2019. Now, the total cost is projected to cost approximately \$18.7 million with a project end date of FY 2021. Can you discuss the reasons for this change of scope and timeframe?

MS. DOUGLASS MORGAN:

The project was initially envisioned and funded based on the GCB duties and data in 2014 which would have included all six of our divisions. In 2015, the GCB was assigned additional requirements to regulate club venues. Those requirements included independent hosts and anyone handling very important person services for our licensees. Those individuals had to be registered with the GCB.

Ensuring all of those individuals were registered was a big undertaking for both the Investigation and Enforcement Division within the GCB. It included creating new fields and processes in the new system to accommodate club venue personnel. This requirement was not initially part of the scope of the project. The club venue requirement has been migrated into the new system.

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Additionally, during the 2017-2019 biennium, we were not approved for the entire amount requested to complete the AMP. We received approximately half of the funding needed, and due to the reduced funding we had to reduce the 15 contract staff members down to 5 members. The reduction in contract staff slowed down the AMP which is why the projected end date is now FY 2023.

ASSEMBLYMAN SPRINKLE:

Are you confident the \$18.7 million will be the final cost for the AMP?

MS. DOUGLASS MORGAN:

Yes. Based on the information we currently have, I cannot foresee any additional scope. If there is another Legislative mandate or if the GCB feels we need to have jurisdiction over another area, the cost may change.

ASSEMBLYMAN SPRINKLE:

Where is the confidence level on the project end date of FY 2021? Is there going to be more work going into the 2021-2023 biennium? How much of the work is related to S.B. No. 38 of the 78th Session?

MS. DOUGLASS MORGAN:

We have finished migrating the club venue information associated with S.B. No. 38 of the 78th Session.

ANDREW TUCKER (Information Technology Manager, Gaming Control Board):

The migration of the club venue information is completed. Occasionally, there are enhancement requests, but those requests are not impactful. Please refer to page 24 of [Exhibit E](#) which discusses the project end date of FY 2023. This means we will be requesting more funding in the 2021-2023 biennium, but it will not be anywhere near the \$7.2 million requested this biennium. We are focused on migrating the revenue streams data. In addition, we expect to get started on the Investigation Division functionalities and the Technology Lab.

ASSEMBLYMAN SPRINKLE:

Are there any major aspects anticipated to remain for the 2021-2023 biennium for the AMP?

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MR. TUCKER:

There are two remaining divisions to migrate, the Audit Division and the Administrative Division. Those two divisions' needs are not as great as the other divisions of GCB. We do not know how the SMART21 project will affect the GCB. We expect to have the majority of the work completed by the 2019-2021 biennium, but there will be follow-up work. As mentioned earlier, we will still have a portion of the Investigation Division activities remaining as well as both the Audit and Administrative Divisions.

ASSEMBLYWOMAN NEAL:

Can you clarify the reason why the process slowed, and why staffing was reduced from 15 down to 5 staff members?

MS. DOUGLASS MORGAN:

The one-shot funding request during the 2017-2019 biennium was reduced to approximately \$2 million which was about half of the original request.

ASSEMBLYWOMAN CARLTON:

I have the closing documents from the 2017-2019 biennium. Are we discussing the positions that were eliminated?

MS. DOUGLASS MORGAN:

No, this was the amount designated for the AMP. We only received half of what was requested. There were 15 contracted employees through the independent contractor which had to be reduced down to 5 contract employees. These were not GCB employees.

ASSEMBLYWOMAN CARLTON:

We might have a miscommunication, and we will be happy to have a conversation with you regarding this issue.

SENATOR DENIS:

Have all aspects of S.B. No. 38 of the 78th Session been fully migrated over to the new system?

MS. DOUGLASS MORGAN:

Yes. It has been migrated over.

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SENATOR DENIS:

So that is completed. Are you still working on the rest of the migration?

Ms. DOUGLASS MORGAN:

Yes. That is correct.

CHAIR WOODHOUSE:

The last budget on the agenda is the GCB Investigation Fund B/A 244-4063. We do not have any questions regarding this budget. Do you have anything you want to present?

GCB - Gaming Control Board Investigation Fund — Budget Page GAMING
CONTROL BOARD-18 (Volume I)
Budget Account 244-4063

Ms. DOUGLASS MORGAN:

No. We do not have anything to present for B/A 244-4063.

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CHAIR WOODHOUSE:

Seeing no one for public comment, this meeting is adjourned at 10:37 a.m.

RESPECTFULLY SUBMITTED:

Desirae Munns,
Committee Secretary

APPROVED BY:

Senator Joyce Woodhouse, Chair

DATE: _____

Assemblywoman Maggie Carlton, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	6		Attendance Roster
	C	16	Susan Brown / Governor's Office of Finance	Presentation
	D	18	Catherine Byrne / Office of the State Controller	Presentation
	E	33	Sandra Douglass Morgan / Gaming Control Board	Presentation