

Committee in session at 8:00 a.m. Senator Floyd R. Lamb was in the Chair.

PRESENT: Senator Floyd R. Lamb, Chairman
Senator James I. Gibson, Vice Chairman
Senator Eugene V. Echols
Senator Norman D. Glaser
Senator Thomas R. C. Wilson
Senator Lawrence E. Jacobsen
Senator Clifford E. McCorkle

OTHERS: Mr. Ronald W. Sparks, Chief Fiscal Analyst
PRESENT: Mr. Eugene Pieretti, Deputy Fiscal Analyst
Mr. Howard Barrett, Budget Director
Mrs. Peggy Glover, Director of General Services
Mr. Gordon Harding, Administrator of Central Data Processing
Senator James Kosinski
Mr. Arthur Palmer, Director, Legislative Counsel Bureau
Mr. Cy Ryan, United Press International

GENERAL SERVICES - Data Processing (Continued from February 1)

Mrs. Peggy Glover, Director of General Services, and Mr. Gordon Harding, Administrator of Data Processing, presented their testimony to the Committee.

Mr. Harding stated that the Governor is recommending \$196,000 for Other Contract Services and the original request was \$175,000. He said his Division still recommends \$175,000, since equipment which was previously contracted for in providing services to Carson City, has now been purchased and will no longer be contracted for.

Senator Lamb stated that the Committee had a discussion with the Governor about prisoner help; and all of the Committee agrees that their help should be utilized. Mr. Harding said they use prisoners in two areas and are happy to do it. One of the problems in programming areas is that of being selective about the work to which they can be assigned. For example, they are not assigned to write programs for payrolls or printing of checks. There is plenty of other work that prisoners can do. All of the people at the prison were tested; and only two, who will be paroled in less than six months, had an adequate aptitude for programming work. Mr. Harding stated that the Division couldn't even train them in that time; so it will be necessary to wait for a new group of prisoners to test once more for an adequate capability. He said that if prisoners cannot be used on a regular basis, then the training is wasted.

Mr. Harding remarked that an automated work permit system was developed last year for the Gaming Division. This system, now in the master file, covers about 45,000 people working in the gaming industry. As the Gaming Division captures information, 200-300 names per day are added to the system. Mr. Harding added that for the first time the Gaming Division has the capability to determine the make-up of all the people in the industry. This is particularly important to the enforcement agency who is constantly looking for those who are trying to bilk the industry, or are trying to work fraud schemes. Mr. Harding explained to Senator Lamb that his Division does the work for the Gaming Division and is reimbursed by them. He said they have contracted for data processing services.

Mr. Harding stated that the number of positions in Data Processing has been reduced. This does mean that they have a number of customers waiting for their service. However, this fact allows them to assign priorities in the allocation of their people to do the work. He said people are allocated to jobs that have the highest pay-offs. This means that some of them have to wait, and by virtue of waiting a little bit, sometimes their need goes away. If not, the work is done in good time.

Mr. Harding said that, although about \$320,000 was budgeted for data processing in the tax budget, only about \$250,000 was spent.

Mr. Barrett said they underspent. Mr. Harding replied that a body was not assigned to tax, because some of their projects were not cost-justified. So that, although the money was there, it was not spent.

Mr. Harding mentioned that about two years ago the Legislature gave \$50,000 to Human Resources for a special project. They were not ready for it, so the money was reverted.

Senator Wilson asked whether the facility's program charge was reasonable and as low as possible. Mr. Harding replied that the figure certainly might be lower, and it may be lower.

Mr. Harding went on to explain that through an inappropriate accounting treatment within the Computer Facility, they were in a most unfortunate position of having under-depreciated their old equipment by \$850,000. He said this wouldn't have been so bad except for the Federal money included in that \$850,000. Non-General Fund, Non-Highway Fund money in this total is \$440,000. Reference was made to the Computer Facility Budget (Page 109).

He stated that the Feds will not permit, under normal circumstances, the carry-forward of any under-depreciation to the next computer that is purchased. Their policy does not allow it, so the Division was in a position of potentially losing \$440,000 of Federal money. Mr. Harding said he went to San Francisco to bargain with the Federal Cost Allocation people to find some way to get the money back as he felt the Division was entitled to it. He said that after negotiating with the Federal people, they said: If the depreciation is brought forward this current fiscal year, and the next fiscal year brought up to what it should have been (instead of \$159,000, it should be \$383,000); we will then allow you to carry forward, for Federal cost reimbursement purposes, half of this sum and to write it off over the the next five years.

Mr. Harding remarked that this concession would allow the Division to get full \$440,000 Federal recovery. He said that in looking at the facility budget, a very significant increase in depreciation for General Fund pay-back is noticeable; effectively, this is being done to get that Federal money back. Therefore, it is one of the reasons the facility budget is high, translating in increased costs to users of the facility services.

Mr. Harding explained the problem in the law enforcement area. He said the failure of the various law enforcement groups is to get together and work toward a comprehensive program for the availability of criminal history information. He said one of the problems is who is going to control it, who is going to run it, etc. He remarked that during the past year the Division has acted as a catalyst to get things done. He said these groups are now talking together.

Mr. Harding mentioned an item at the bottom of their budget for \$162,000, which represents the contract cost to acquire a message switching system to allow the law enforcement community to interchange information and have access to comprehensive criminal history files. He stated that a meeting was recently held in his office with the Chairman of the Crime Commission, the new Director of Law Enforcement Assistance and the Undersheriff of Clark County. They all agreed for the first time how this project can be done.

Senator Wilson asked if there was something about the services required by the Office of the Controller that makes it incompatible with the services rendered by Data Processing. He wanted to know if there is any way to reduce the Controller's cost, as allocated to computer services, if he used Mr. Harding's facility.

Mr. Harding stated that for some period of time, the Controller did obtain services from their organization. The Controller contracted with Ernst and Ernst for an accounting system. Their system did not work and the contractor left the State holding a very

large bag; for which \$1/2 million was spent in the first contract and the State wound up with something that did not work at all. The Controller then hired Data Processing again to try to make the worst system ever designed, work. Subsequently, the contractor was sued, and the State did recover \$75,000. Mr. Harding continued, that at that time Mr. Wilson McGowan entered into a 7-year contract with the Hewlett-Packard organization for the computer now used in the Controller's Office. According to Mr. Harding, that device, today, is utilized to about 30 percent of its capacity. There is little question that some economies might be effected if some other things were done. Mr. Harding said that if it were possible to put that computer on the market and sell it, it might generate enough funds to get out of the purchase contract position. Then, stated Mr. Harding, Data Processing would be in a position to assume that one responsibility, at less cost than is being spent now to do that work.

Senator Wilson asked how much less cost. Mr. Harding said it was necessary to look at things like people cost plus the equipment cost. Mr. Harding's guess was that costs would be cut about 50 percent.

Senator Wilson asked Mr. Barrett if there was some reason that it is being done this way. Mr. Barrett replied that the Controller is allowed, by law, to use some of that equipment. Senator Wilson asked if this was a legislative question and Mr. Barrett replied that it was.

Senator Wilson asked for some other cost estimates and intimated that it was necessary to tackle this question. He said he didn't know they can go around cutting other agencies and reducing budgets to the extent they are going to have to; if they are looking at a possible 50 percent savings on a \$400,000 bill on Data Processing. Senator Wilson said it goes to the basic policy on whether they are going to centralize the service and save money, or whether they are not going to centralize. He said that they may as well meet it head on this session.

Senator McCorkle asked if they were talking about adding all the other agencies that have their own computer facility; and to put them into their (Data Processing) Division--Highway Department, Department of Motor Vehicles, Nevada Industrial Division and the Legislative Counsel Bureau--would they all save the same kind of dollars.

Mr. Harding stated it might be expected, as an example, that if the Highway Users Fund activities were combined (that is Highway and DMV) some substantial savings might be made there. Those two agencies are currently using the Computer Facility. Another thing, for example, would represent a very reasonable reduction in data processing costs. There is currently within Carson City, three payroll systems, to pay state employees, that very reasonably should be one. If that were combined as one system, then obviously there would be some savings, and that would be the most logical consolidation.

Senator Wilson asked Mr. Harding for a proposal. Mr. Harding agreed. Senator McCorkle wondered whose bailiwick this would be. Mr. Ron Sparks stated that the decision to allow Wilson McGowan, for example, to do what he is doing now, was made in the 1973 and 1975 legislative sessions.

Senator Wilson stated that there are all kinds of services which require data processing, one of which might be in an accounting or payroll function. There might be a lot of other functions, whether Law Enforcement, Gaming Control, Highway Department, the Department of Transportation, or any other services that are not generic.

Senator Lamb again asked if Mr. Harding would be out of his bailiwick. Mr. Harding said he didn't think so, because the Division

is certainly in a position to develop those figures and can certainly work with people such as Ron Sparks and Bill Bible.

Mr. Barrett stated that he thought agencies such as the Highway Department, Nevada Industrial Commission, and Department of Motor Vehicles are large enough to have their own data processing staffs. The others should be under Central Data Processing. Mr. Barrett didn't think that Employment Security should be brought back into the Computer Facility.

Mr. Harding said that the point he was trying to make was to look at the combination of the Highway Users Fund Activity. Mr. Barrett said that if the Highway Users Fund were combined with the Department of Transportation, it could save money.

Senator Lamb asked Mr. Harding, when preparing his proposal, to be sure and include figures of what the savings to the State of Nevada would be.

Mr. Barrett agreed with the Committee on the payroll consolidation. Mrs. Glover concurred with the consolidation of the payroll system also.

Senator Jacobsen asked Mr. Harding what actual percentage he thought his Division was utilized. Since Central Data Processing does not run the Computer Facility, Mr. Harding couldn't give the Committee the answer.

Senator Jacobsen said he had to determine priorities and it seemed that the Division is already booked up to the maximum and couldn't take on any more work. Mr. Harding said they have staffed their organization so they cannot serve peak period workloads. They have done this purposely; otherwise if staffed to meet every peak period workload, the staff would be too high.

Senator Jacobsen asked if there was anything the Committee could do to institute educational programs, say at the Women's Prison, to start educating people for Data Processing. Mr. Harding said that currently the Data Processing curriculum at the Community College is taught by members of his staff. He stated that they have the opportunity to train people in their own techniques.

Senator Lamb mentioned to Mr. Harding that the Committee had to go on with the agenda, and the Committee would meet with him again as soon as he provides them with the additional information they have requested.

S.B. 144 - Reproduction of Nevada Reports

Mr. Arthur Palmer of the Legislative Counsel Bureau gave a summary of S.B. 144. It provides for the appropriation of \$75,000 for the support of the Legislative Counsel Bureau, for the cost of reproducing volumes of Nevada Reports. The bill has to do with the fact that when the Legislative Counsel Bureau moved the legislative publications out of the basement of the Old Capitol Building, they also brought the Nevada Reports over into the Legislative Building, to store in the warehouse and sell along with the other publications.

The Supreme Court does not have the facilities for storage, so the law authorizes LCB to distribute the Reports and collect the monies for storage. It also provides that within the limits of legislative appropriation, specifically made for that purpose, that we reprint those volumes that are in very short supply. They are either out of print or will be out of print in the near future. Currently, Mr. Palmer sees a need for reprinting 15 volumes of the Nevada Reports. The cost of doing this, according to Mr. Palmer, is exactly \$68,294 by a bid received February 1, updated from a bid that came in, in October. The law indicates in NRS 345.025 that if the Legislative Counsel Bureau can do better through a private printer than the State Printing Office, of course, they would have the option of going by lowest bid.

The State Printing Office's comparable bid for 300 copies of each of these 15 volumes is \$137,000; and through private industry it can be done for \$68,294. Mr. Palmer said they asked for \$75,000 in the bill because the increase in just three months was from \$65,628 to \$68,294. Since he didn't know when the Committee would be acting on the bill, they had to provide some kind of figure it might approach; that they would not have to consider appropriating more than the bid that was received February 1, which is good for sixty days.

Senator Lamb asked Mr. Palmer how important these Nevada Reports were, what they were used for, how much they were used. Mr. Palmer replied that they sell about, on an average, 20 copies of each volume. In other words, that is what he based their need upon. He said that right now there is about 20 left of each of these. It takes several months to get the show on the road, to get them printed and bound; so if they went ahead with these 15 volumes, they would be down to about 5 or 10 volumes in stock. They have actually experienced running completely out, and having those interested in purchasing to wait three or four months until they had copies from the printer. They are obviously used in the legal fraternity to a considerable extent. What the Nevada Reports really are is Supreme Court decisions collected and published.

Senator Wilson asked Mr. Palmer why they were not using West Publishing Company to publish the Nevada Reports and make their money back selling all those reports to lawyers. Mr. Palmer replied that these reports sell for \$12.50 a copy and we are talking about 4,500 volumes. The selling price of \$12.50 is the current price established by the Legislature.

Senator Wilson asked Mr. Palmer why they were not using West Publishing Company to publish the Digest. He said there would be no need to appropriate money; they would simply have the contract to print and sell the volumes at a profit. He added there would be no necessity for an appropriation.

Senator Wilson asked if there was a reason they shouldn't do that. Mr. Palmer said this was obviously a stop-gap measure as far as the Legislative Counsel Bureau is concerned, because they are only in the business because they happen to warehouse the volumes. Mr. Palmer added that he did not have an answer to Senator Wilson's question, because it has never been proposed.

Senator Wilson said it was an old question that has been kicking around here for a long time, --" it's debated within the Bar, the Board of Governors has raised hell about it." Senator Wilson said it had been talked about before and he would like a clear answer sometime. He said he appreciated that Mr. Palmer probably didn't anticipate it in this budget hearing. Mr. Palmer answered that he knew the question had been raised many times with regard to NRS being done by a private publishing company; but he was not aware that it had also been suggested for the Nevada Reports.

Senator McCorkle asked why they were only charging \$12.50. Mr. Palmer replied that they charge that amount because earlier the charge had only been \$6 to \$10 each. Senator Wilson said they were losing about \$20,000. Mr. Palmer said the overall average at that figure would bring in \$56,000; and that it costs \$68,000 to produce them is true. However, the volumes authorized to be reprinted at previous sessions were actually making some money. Those that had been inherited probably only cost \$4 to \$6 to produce. Those volumes are selling for \$12.50 also.

Senator McCorkle asked why shouldn't the volumes being printed recover exactly the cost of production, plus warehousing expense that hasn't even been added into it. Mr. Palmer answered that it could be done as the latitude is provided in the law. The decision can be made by the Legislature to recover exactly dollar for dollar; they would sell for \$15.50 a piece. The law doesn't state the price at which they are to be sold; that authority is given to the Legislative Commission. So it could be made very

flexible, and they could recover dollar for dollar on these volumes.

Senator Echols asked if there was time to get an answer to Senator Wilson's question before they have to make the decision.

Mr. Palmer suggested they investigate the private publishing company inquiry. This would normally lie in the province of the Supreme Court. This isn't a publication of the Legislative Counsel Bureau; they are only an agent for the Supreme Court at this point. The LCB are agents for them only because their older publications are sold from the Counsel Bureau and LCB continues to have the authority to reprint for them.

Senator Wilson asked where they are printed. Mr. Palmer replied that they have been printed at the State Printing Office. They have been printed by private publishers. The law authorizes the Counsel Bureau to go either way. Currently, they have a much lower bid from private industry.

Senator Echols asked why the difference of almost 100 percent. Mr. Palmer answered that previously they have received a bid almost reversed in the opposite direction. The possibility of publishers in Las Vegas has been explored, but they never seem to be interested.

Senator Wilson asked if Mr. Palmer has talked to the standard law report publishers who publish opinions of the court. Mr. Palmer said they have never gone outside the State on that.

Senator Glaser stated he didn't think it was a primary function of the Legislative Counsel Bureau to print a document for the legal profession. He concurred with Senator Wilson's statements.

Senator Wilson stated that there were some related publications that the state does: an Annotation of cases bearing upon different provision of the NRS, and a Digest which is a topical listing of cases decided by the Supreme Court. He wanted to know if the Counsel Bureau printed these. Mr. Palmer answered that the Annotations and the Digest are publications of the Counsel Bureau. These are published at the State Printing Office.

Senator Wilson observed that the same questions apply to these publications. The question is, should we go to bid even out-of-state, even with national league publication firms. With respect to cost to avoid the need of using State money; frankly, we are talking about the indexing and cross-indexing services you get, that are available through methods of legal bibliography. Mr. Palmer agreed with Senator Wilson's observations; the Annotations, the Digest, and NRS are all tied together. They are all publications of the Legislative Counsel Bureau; however, the Nevada Reports are in no way connected with anything that the Counsel Bureau does. The Counsel Bureau was trapped into doing this for the Supreme Court as the Court does not have the capability for storing and selling the Reports.

Discussion went back to S.B. 144. Senator Wilson repeated his earlier question to Mr. Palmer for Senator Gibson who was out of the room during the earlier discussion.

Senator Gibson stated that money is going to have to be spent which ever way it is done. He said that every time they have gone out for quotes on any reports besides the State Printing Office, they have been higher.

Senator Jacobsen suggested that the Supreme Court be advised of the Committee's situation and to get some comment back.

Senator Wilson remarked that it isn't necessary to spend money to have the reports printed. If they are bid to a publication company,

they print and sell the volumes for profit. Money doesn't need to be spent by the Counsel Bureau.

Senator Gibson said that what Senator Wilson is saying is to have the legal profession pay the load for this; that right now it is being subsidized.

Mr. Palmer remarked that it is not exactly a subsidy at the moment if the Legislative Commission desires to raise the price to \$15.50, the Counsel Bureau would be clear and also making money on the older editions.

Senator Wilson said the Annotations and the Digest can also be an outside publication function. They are related and there is a market for this stuff. He said all the Annotations and Digest are is a publication of case laws that apply either to the subjects in catalogue form or to the NRS as those provisions are construed by the Supreme Court. He added that they constitute legal publications; they are published for profit and subscriptions are sold.

Senator Wilson said to hold the bill and see if there is another way to do it.

Senator Gibson suggested that the matter be discussed with the Supreme Court when they come in for a hearing on Tuesday, February 6.

A.B. 104 - Requires selected agencies to submit proposed budgets with additional detailed justifications.

Senator James Kosinski presented a little of the background and effects of A.B. 104. (See Attachment A.)

Senator Kosinski went on to say that A.B. 104's alternative budget proposals are to be submitted to the Legislature by March 15 of this year. Bill Bible, of the Legislative Counsel Bureau Fiscal Division, is preparing the performance and procedures of this particular technique, and believes that the deadline can be met. He stated that in a week or two there is a seminar being held on zero-based budgeting techniques, and it is anticipated that some one from the fiscal staff will be attending. The bill contains 9 different criteria that would be included in any zero-based budgeting.

Senator Gibson stated that he thought the Commission agreed substantially with Senator Kosinski's statement. Last session the Senate passed a similar bill, but it didn't pass the Assembly. He added that he didn't know if it was practical; or whether or not it can bring about a better control of government spending. Senator Gibson's opinion is that it would be a good idea to find out.

Senator Kosinski added that as far as the timetable is concerned the agencies involved did receive a letter from the Chairman of the Legislative Commission directed to Governor-elect Robert List, dated December 21, 1978, telling them of the Legislative Commission's intent and putting them on notice that they had to prepare for this form of budget analysis. So, effectively, they have already had a month and a half to begin preparing for it.

Mr. Sparks commented that the program does have merit. The only problem he could see was with the time element. He said that with the cooperation of the Executive Branch he thought they could probably provide the Committee with the kind of information they need to evaluate everyone's budget. He added that their cooperation is necessary to do it. He said they have most of the instructions and forms; and they are sending two more people to a budget conference in Sacramento. He also said that the Committee had particularly expressed a great deal of desire and interest in reviewing budgets in this manner, and he thought it worthwhile.

Mr. Barrett stated that the Committee will have the cooperation of the Executive Branch and that the budget would be prepared in the manner they want. He said the main purpose of the budget is to provide information to the Legislature on which they can make logical and feasible decisions. The present format is a product of a study with the Legislature a number of years ago. Mr. Barrett did ask for a clear guideline as to the format and the type of information wanted because in reviewing zero-based budgeting of other states, it was evident that none of them are alike and are all quite vague.

Senator Clifford McCorkle moved "Do Pass" on A.B. 104.

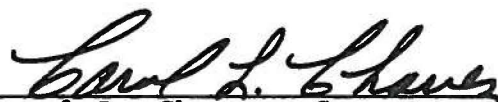
Seconded by Senator Thomas R. C. Wilson

Motion carried.

Senator Lawrence Jacobsen voted "No".


Senator Lamb adjourned the meeting at 9:15 a.m.

Respectfully submitted,



Carol L. Chavez, Secretary

APPROVED:



Senator Floyd R. Lamb



Nevada Legislature

SIXTIETH SESSION

January 25, 1979

MEMORANDUM

TO: Floyd Lamb, Chairman
Senate Finance Committee

FROM: Senator Jim Kosinski

SUBJECT: Alternative Methods of Budget Presentation to
1979 Legislative Session

start

Attached is a presentation made to the Legislative Commission prior to their endorsement of a pilot project review of zero-base budgeting techniques during the 1979 Legislative Session. Also enclosed is a background paper (79-6) subsequently prepared by the Research Division, Legislative Counsel Bureau, concerning zero-base budgeting.

The Legislative Commission also instructed the Legislative Counsel Bureau to prepare and present its budget in zero-base form.

Our Fiscal Analysis Division is preparing the necessary forms and procedures for implementing this pilot project. It is anticipated that appropriate staff, both from our Fiscal Division and the Executive Budget Office, will be attending a seminar during the month of February on zero-base budgeting techniques. Our staff feels confident that the March 15th deadline can be attained.

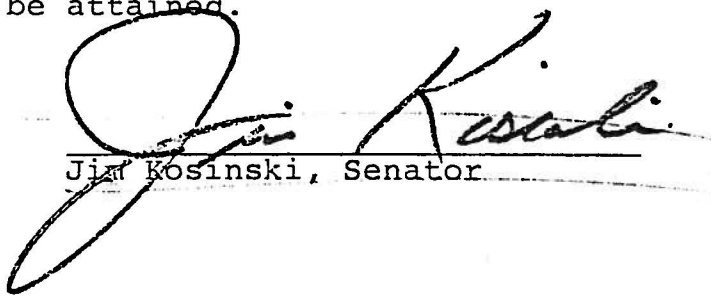

Jim Kosinski, Senator

EXHIBIT A

307



Nevada Legislature

FIFTY-NINTH SESSION

December 13, 1978

MEMORANDUM

TO: Members of the Legislative Commission

FROM: Senator Jim Kosinski

SUBJECT: Study and Pilot Project Review of ZERO-BASE BUDGETING
During the 1979 Legislative Session

I am requesting the Legislative Commission to consider a resolution to the 1979 Legislature requesting legislation to implement a study of zero-base budgeting (ZBB). This study would include the selection of a limited number of state government agencies to prepare their budgets in the established form, and in an alternate form employing ZBB techniques. The Fiscal Analysis Division, Legislative Counsel Bureau, would be responsible for establishing the methodology for implementing the ZBB procedures for the selected budgets and for monitoring the progress of the agencies' efforts.

I.

Zero-base budgeting (ZBB) is a system by which programs and activities are organized and budgeted in a detailed plan which focuses on review, evaluation and analysis on all proposed expenditures rather than on increases above current expenditure levels. The purpose is to determine if each activity warrants continuation at its present level, a different level, or should be terminated. This focus requires a priority ranking of all programs and activities in successively increasing levels of performance and funding, starting from zero. This approach facilitates an analysis of budget requests and proposals from the "bottom up," rather than the usual incremental approach which focuses on increases over previous budgets. ZBB would require every agency in state government (or at least all included agencies) to identify each function it performs, and the personnel and other costs to the taxpayer for performing that function. The essence of ZBB is that an agency provides a defense of its budget request that makes no reference to the level of previous appropriations. The administrator must be able to justify each activity's projected level of expenditure in toto, with no level taken for granted.

ZBB is implemented by first identifying decision units. These are program or organizational entities for which budgets are prepared and for which a manager makes significant decisions on the amount of spending and the scope or quality of work to be performed. It may be any distinct part of an agency. Since significant decisions are usually made at many levels within agencies, ZBB requires greater managerial involvement than do most other budget systems. This requires a long and short term identification of objectives of the decision unit. These objectives provide a benchmark against which the projected accomplishments of existing and proposed budget alternatives are measured. This also requires an analysis of alternative methods of accomplishing these objectives. Levels of performance are also established by management to reflect their priorities. These are usually set at: minimum level; intermediate level; current level; and enhancement over current level.

Each level of performance that is developed for a decision unit is described in a decision package. This package is the action document that is used to justify each level of performance for a decision unit.

After decision packages are developed for each unit, they are evaluated and ranked in order of importance by each higher level of management. This provides management with a method of determining the specific content of their budget request at varying agency-wide funding levels. Ranking also permits management to determine which programs fall within or outside of a specific budget total. In this way, it is easier to determine the program effects of various budget totals and alternatives at any review level. Based on the final ranking, agency budget staff prepare detailed budget schedules and other information summarizing and explaining the agency's budget request. This includes special analyses that are required to convey more fully the required justifications to decision-makers within and outside the agency.

Zero-base budgeting has met with mixed reviews from those agencies and organizations which have attempted to implement its techniques to their own budgetary process. Characteristics which have been described or ascribed for zero-base budgeting are:

ADVANTAGES

1. Addresses benefits and cost/effectiveness relationships.
2. Provides a review of an entire budget.
3. Identifies redundancies in a budget.

4. Provides an adequate data base for decision making.
5. Promotes quality management.
6. Expands participation in the budget process by top agency officials. They thereby become more heavily involved in the budget process and, consequently, make decisions based on a greater understanding of their programs than had been the case in previous years.
7. Provides an excellent tool for new policy officials to learn more about their agency's programs.
8. Results in better communication among top, middle and lower levels of management.
9. Provides a performance review of the programs within an agency.

DISADVANTAGES

1. Implementation is complex.
2. It is difficult to rank dissimilar activities.
3. Implementation consumes a significant amount of time, though subsequent utilization is often less time consuming.
4. The staff of our state agencies lack experience in implementing these techniques.
5. Procedure is threatening to many agency administrators.
6. "Budget gaming" is still possible, particularly without adequate safeguards by higher level administrative and legislative officials.

II.

Incremental budgeting--essentially the system presently used in Nevada--is based on numerous assumptions. These include:

1. The original "base" established 5, 10, 50 or 100 years ago is currently valid.
2. Every incremental change in prior years was identified and properly funded.

3. Every invalid change was rejected in the past.
4. The program or activity's validity continues unabated since inception.
5. The program or activity is being managed in the most effective manner.
6. The program or activity is more important than every other one for which funds are not available.

Some of these assumptions are questionable, others blatantly inaccurate.

Arguments might be made that the Budget Division in the Executive Branch does review budget requests from the "ground up." To some extent this may be true. However, I am unaware of the existence of adequate program evaluation procedures in our executive agencies which would permit a determination of the effectiveness of existing programs. To the proposition that zero-base budgeting is not needed in Nevada, I offer two arguments:

1. Whether the Budget Division is developing budgets from the "ground up," the existing form of budget presentations to the legislature, and the short length of the legislative sessions, do not permit "ground up" review or prioritization by the legislature.
2. The rapid population growth of our state and the even greater escalation in the cost and number of state programs will soon prohibit a detailed analysis of each budget by the Budget Division or by the legislature under our existing procedures.

Four agencies were III. selected for the study.
~~With the assistance of our Fiscal Analysis staff, I am suggesting four budgets for your consideration.~~ In selecting agencies to be used as trial agencies for a zero-base budgeting experiment, I conclude that we should be looking at a number of considerations.

1. Agencies that typify the functions performed by government--administration, regulation and control, and service delivery.
2. Agencies that operate more than one program or provide more than one service to clients.

3. Agencies that have budget skills available to assist them in the understanding and preparation of a zero-base budget presentation.

With these criteria in mind, I am suggesting the following four agencies as possible candidates for a pilot project review:

- A. Bureau of Community Health Services.
- B. Personnel Division.
- C. University of Nevada System, Chancellor's Office.
- D. Legislative Counsel Bureau.

Please refer to the attached memo from Bill Bible, Fiscal Analyst, concerning a description of the first three of the included four agencies. I've also included the Legislative Counsel Bureau for your consideration. Selecting the Bureau as one of the pilot projects will illustrate to the Executive Branch the legislature's commitment to a candid and detailed review of the zero-base budgeting process. It will also give our own staff the opportunity to use these techniques with programs with which they are intimately familiar to assist them in developing an understanding of the decision making process involved under the zero-base budgeting procedure.

I have not come before you today as an advocate for the zero-base budget process. Neither I, nor anyone else to my knowledge in the legislature, can represent to you that these techniques are either "good" or "bad" for Nevada. However, I do believe that the evidence available from other states, the Federal Government, and private industry suggests that these techniques may be a valuable tool to the legislature and the Governor in our budgeting process which will enable us to more carefully and exhaustively examine the myriad of expenditures of taxpayers' dollars. I do not believe that zero-base budgeting can replace sound planning, effective performance monitoring and auditing, and thorough program evaluation. In fact, zero-base budgeting, if it works at all, probably operates best in conjunction with these other management techniques. All of them probably can and should be employed in a sound management and policy making process. I believe it is incumbent upon us to review this budgeting technique and evaluate for ourselves its value, if any, to us as representatives of the people of our state.

S. B. 144

SENATE BILL NO. 144—COMMITTEE ON FINANCE

JANUARY 30, 1979

—○—
Referred to Committee on Finance

SUMMARY—Makes an appropriation for reproduction of Nevada Reports.
(BDR S-476)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Contains Appropriation.



EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to Nevada Reports; making an appropriation for their reproduction; and providing other matters properly relating thereto.

*The People of the State of Nevada, represented in Senate and Assembly,
do enact as follows:*

- 1 **SECTION 1.** There is hereby appropriated from the state general fund
2 for the support of the legislative counsel bureau, for the cost of repro-
3 ducing volumes of Nevada Reports pursuant to NRS 345.025, the sum of
4 \$75,000.
5 **SEC. 2.** This act shall become effective upon passage and approval.

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ASSEMBLY BILL NO. 104—COMMITTEE ON
WAYS AND MEANS

JANUARY 17, 1979

Referred to Committee on Ways and Means

SUMMARY—Requires selected agencies to submit proposed budgets with additional detailed justifications. (BDR S-953)

FISCAL NOTE: Effect on Local Government: No.
Effect on the State or on Industrial Insurance: Yes.

EXPLANATION—Matter in *italics* is new; matter in brackets [] is material to be omitted.

AN ACT relating to alternative methods of budgeting; requiring as an experiment that certain agencies submit to the legislative finance committees their proposed budgets for the next fiscal year containing specified, detailed justifications therefor; and providing other matters properly relating thereto.

The People of the State of Nevada, represented in Senate and Assembly, do enact as follows:

- 1 **SECTION 1.** The bureau of preventive medical and community health
2 services of the health division of the department of human resources, the
3 personnel division of the department of administration and the chan-
4 cellor's office of the University of Nevada shall, on or before March 15,
5 1979, submit to the finance committee of the senate and the ways and
6 means committee of the assembly their respective, proposed budgets for
7 1979-1980 and 1980-1981, which must contain all of the following:
8 1. A statement of the objectives and programs of the department.
9 2. An evaluation of the effectiveness of these objectives and pro-
10 grams and whether or not the stated goals are being realized.
11 3. A ranking of the objectives and programs in order of priority.
12 4. The minimum amount of money required to accomplish the stated
13 objectives and programs.
14 5. The minimum amount of money required for each objective and
15 program.
16 6. The minimum level, the current level and the requested level of
17 spending which the department has determined is necessary for each
18 objective and program.
19 7. A statement of the methods used to determine the priority of,
20 and the amount of money needed for, each objective and program.
21 8. A description of the resources and liabilities of the department.

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- 1 9. A list of the sources from which the department receives its rev-
- 2 enues, and the relative amounts from each source.
- 3 These budgets are in addition to the regular budgets which must also be
- 4 prepared by the three agencies.
- 5 SEC. 2. This act shall become effective upon passage and approval.

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