

MINUTES OF THE  
MEETING OF THE SENATE COMMITTEE  
ON FINANCE

SIXTY-FIRST SESSION  
NEVADA STATE LEGISLATURE  
January 28, 1981

The Senate Committee on Finance was called to order by Chairman Floyd R. Lamb, at 8:00 a.m., Wednesday, January 28, 1981, in Room 231 of the Legislative Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit B is the Attendance Roster.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBER ABSENT:

Senator Norman D. Glaser

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Chief Fiscal Analyst  
Dan Miles, Deputy Fiscal Analyst  
Candace Chaney, Secretary

OTHERS PRESENT:

Howard Barrett, Budget Division  
Mitch Brust, State Personnel  
John Hayes, Nevada Appeal  
Trish White, Associated Press  
Bob Felten, State of Nevada Employee's Association  
Bob Gagnier, " " " " "

Mr. Jim Wittenburg, State Personnel Administrator, introduced himself and Mr. Mitch Brust, Chief of Classification Compensation, to the committee. Mr. Wittenburg presented the salary increase budget recommended by the Administration for classified employees.

STATE EMPLOYEE'S SALARY INCREASES (Pg. 1034)

Mr. Wittenburg remarked that the entire salary increase package had to be looked at in detail. He noted that there were four major factors that addressed problems in the classification plan/compensation area for State employees in State government:

1. Cost of living - Escalation exceeded 18% in the last two years.
2. High turnover and difficulty in recruitment.
3. Factor Ranking Classification study.
4. Wage, salary, and fringe benefit survey.

Mr. Wittenburg discussed the CPI and why State salaries lagged considerably from salaries in other areas. He noted that in 1978-79 the escalation rate was 12.1%. On January 1, 1980, there was a salary increase of 5½-6½% for State employees which left a difference of 5.6% in terms of cost of living. This difference when added to the 12.7% CPI increase in 1979-80 came to 18.3%. The 14% across-the-board cost of living increase is recommended to address

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a part of that loss that all employees had suffered. State Personnel is not recommending a fixed dollar across-the-board increase.

On January 1, 1982 an additional 9% is proposed with some sort of trigger mechanism based on Consumer Price Index and revenue levels to provide up to 12% if justified.

Mr. Wittenburg addressed the reasons the State is so far behind with salary increased. He said President Carter's administration's guidelines were initiated in mid 1978 as negotiations for Nevada State salary increase package were in progress. The guidelines were 7½% per year for a two year period of time. It was indicated that the guidelines were going to be strictly adhered to, so, a contract was negotiated with the State employees within those guidelines. Subsequently, the contract called for a 6½% increase for the second year. Mr. Wittenburg noted that the aforementioned were the reasons that State employees were so far behind and caused their need for the proposed 14% increase.

Mr. Wittenburg went on to say that late in 1979, after the legislative session, it became evident that the guidelines were not going to be adhered to with the approach of 1980. He noted that there were many agreements negotiated among major industry that were double-digit increases and exceeded the guidelines. He said this was also true in Nevada among public jurisdictions. So salary increases for other public employees within the State, exceeded the guidelines, and in many cases, were increased 9-10% by January 1, 1980, when State employees were receiving only a 6½% increase.

He noted that throughout the country in 1979 within the private sector, the average agreement exceeded 9%. The 1980 figures are being computed presently that will be in the double-digit range.

Looking at the other Western states during this same period of time, he noted, Arizona state employees received a 16% increase, California went 24%, Idaho went 15%, Montana went 11%, Oregon went 16%, Utah went 16%, and Washington went 17%, while Nevada State employees only received a 14.5% increase.

Senator Gibson asked to be supplied with supporting data on these findings. Mr. Wittenburg said he would provide such to the committee members.

Turnover. Mr. Wittenburg said, in his opinion, the most serious turnover was in the correctional areas among the correctional officers and group supervisors. He said those two classifications are comprised of some 400 employees and his office has recommended an additional 5% increase in those areas. He noted that the turnover rate has been running at 45% in the correctional areas.

Senator Lamb asked Mr. Wittenburg if the high turnover rate was due to low salaries. Mr. Wittenburg said he believed that was one important factor, but, he also believed that salary was not a panacea for everything. Mr. Wittenburg remarked that when the \$6 for the employees at the Jean facility was approved for travel cost, it had a definite impact. He said there was an obvious reduction in turnover in the following quarter. Mr. Wittenburg said that the correctional area was a high stress environment and difficult to work in. The additional increase in this case would address a particular problem.

Senator Lamb inquired as to Mr. Wittenburg's feelings concerning a fixed dollar across-the-board increase. Mr. Wittenburg said he did not believe it was the best alternative. He noted that a \$100 across-the-board increase would put many of the classifications 20-25% ahead of the prevailing rate.

Senator Lamb said he felt that a percentage raise was not going to help the lower paid State employees. He commented that those employees were the ones who most necessitated increases in salary to pay normal bills.

Factor Ranking Classification Study. Mr. Wittenburg said that this study was a controversial area in personnel which constituted a modernized classification approach. He listed the objectives and advantages of this type of classification:

1. It is more efficient and definitive.
2. It will better stand court tests in terms of equal pay litigation.
3. It reduces the number of classifications.
4. It will reduce the number of grades.

After applying this system to 4,500 Nevada State employees, 1,854 positions (grade 28 and below) would receive a 5-10% increase. He noted that 569 of the 1,854 positions would receive 5% and the remainder would receive 10%. As a result, some employees would receive a 24% (14% + 10%) increase while others would get a 19% (14% + 5%) increase.

Senator Wilson asked Mr. Wittenburg to supply the committee with a profile showing the spread of the effect of this basic package on the different levels of employee classification. Mr. Wittenburg said he would comply.

Senator Jacobsen inquired as to how many applications for employment their office had on hand. Mr. Wittenburg said they received about 25,000-30,000 per year, 85-90% were from within the State.

Accelerated Merit Increase Program. Mr. Wittenburg said that this recommended program provides that new State employees, grades 27 or below, may be eligible for a 5% merit increase after six months, with an additional 5% increase after one year of employment. The increase would only occur between steps 1 and 3 of the pay scale and would revert back to the annual 5% merit increase after the first year. State Personnel felt that this program would provide greater stability to the State work force.

Senator Gibson asked what percentage of the turnover rate was due to incompetence or unsatisfactory service. Mr. Wittenburg said the turnover rate for these causes was running between 2-3%. He noted that the quality of secretarial/clerical work at the entry level was very poor due to a supply and demand imbalance. He said that high school students were not taking secretarial sciences as much as in the past.

Senator Gibson stated that last year a special increment was approved for the correctional officers. He asked what the turnover rate was before the increase and what it was afterwards. Mr. Wittenburg said that at the time of the special increment it was in the high 30% range. He noted that the additional 5% increase that was approved caused a significant drop in turnover. He said the turnover rate rose again due to inflation and salary erosion.

Senator Echols commented that the high turnover rate might be the result of hiring incompetent employees.

Two Holiday Increase. Mr. Wittenburg said that this proposal was part of the fringe benefits package. This recommended proposal would allow the Governor to declare two additional holidays as provided in the Statutes. One holiday would be the Friday following Thanksgiving while the other would be a floating holiday. These two additional holidays would bring the total to eleven formal holidays in Nevada.

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Sick Leave Incentive Proposal. This is a recommended proposal as a means of reducing sick leave among new State employees. Mr. Wittenburg noted that increased productivity is a necessity for the future.

Senator Jacobsen requested Mr. Wittenburg to bring figures on State Personnel turnover rates and overtime paid before the committee. Mr. Wittenburg said he would. Senator Glasor also requested figures on turnover variations between metropolitan and rural areas and differences between Reno and Las Vegas. Mr. Wittenburg said he would provide this information also.

Mr. Bob Gagnier, Executive Director of the State of Nevada Employee's Association, presented his organization's recommendations regarding salary increases. Mr. Gagnier noted that his group was not in great disagreement with State Personnel. He said he did dispute State Personnel's CPI figures as being .5% too low.

Mr. Gagnier said that his organization is not proposing a 19% increase, but one that would average over the years at 18.35% per year for all State employees. He noted that the increase would provide for cost-of-living essentials. SNEA proposes a \$100 fixed dollar across-the-board increase for each State employee plus 10%.

The SNEA Director agreed that mental health and correctional employees should receive an additional increase but not at the expense of all State employees. He also felt that the Factor Ranking system would only apply to half the State employees. He stated, in addition, that accelerated merit increases did not help employees above grade 27.

Senator Wilson inquired if Mr. Gagnier had been aware of State Personnel's programs prior to Thursday, January 22. Mr. Gagnier said he knew nothing of their proposals prior to Thursday, except for the Factor Ranking program, of which he had been aware since November.

Senator Gibson asked if SNEA had a dollar figure on their proposal. The Director said that their figure was a compounded one that was 25% greater than that of State Personnel. He noted that if State Personnel changed their figure to 12% for the second year, which is a possibility in the near future, that there would be less than a 25% difference.

Mr. Gagnier stated that salary is the number one cause of turnover but, that there were a number of other reasons. These other causes, he felt, were not legislative issues, but were cronyism, favoritism shown in promotions, and bad management practices. He said by raising the salaries you only raise the tolerance level.

Mr. Wittenburg clarified a point regarding the turnover rate due to dismissals. He said the 2-3% he mentioned previously were only identifiable dismissals. He noted that there were at least that many, if not more, which resulted from agreements between the employee and the supervisor where the employee resigns before dismissal.

Senator Wilson asked Mr. Gagnier how bad management practices might be subject to legislative remedy. Mr. Gagnier replied that only a few might be helped by legislative aid, mostly in the areas of improving the promotional process. He said the only way to improve some of those undesirable practices was to put more restrictions on management priorities.

DEPARTMENT OF ECONOMIC DEVELOPMENT (Pg. 124)

Mr. Walt McKenzie, Director of the Department of Economic Development, presented his budget to the committee. He pointed out that the role of his department was to create new jobs for Nevadans, enhance the tourism industry and to broaden the tax base by bringing new industry to Nevada.

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Mr. McKenzie noted that they had been approved funding for up to \$100,000 in promotional monies for the 50th anniversary of gaming in Nevada provided the monies could be raised through licensing of the "Silver turns to Gold" theme.

The Director said that Nevada has an image problem due to events of the last few months: The bombing at Harvey's casino, the fire at the MGM in Las Vegas, and the Thanksgiving Day massacre.

Senator Lamb asked how much State money was planned to be spent for the anniversary of gaming. Mr. McKenzie stated there was a \$50,000 one-shot appropriation bill endorsed by the Governor, if approved. He also noted the existence of an ad hoc committee in Reno that was desirous of spending \$500,000 on the anniversary. He said, in addition, monies could be generated by turning the "Silver Turns to Gold" theme over to the private sector.

Senator Lamb asked why salary increases jumped from \$159,000 to \$258,000. Mr. Barrett said the reason for the increase was that there were a number of vacant positions during 1979-80 for a considerable period of time. Consequently, there were a great deal of salary savings, \$22,000 reverted back to the General Fund.

Senator Gibson asked the Director how many vacancies he had in the 11½ positions that were approved. Mr. McKenzie said he still had a number of positions vacant but was voluntarily giving up one position for two years. Mr. Sparks asked what position that would be. Mr. McKenzie said it was a Statistician position. Mr. Sparks commented that his agency was still budgeted for that particular position and was Mr. McKenzie saying he no longer needed the position. Mr. McKenzie answered that he would not say that he did not need the position and that it wasn't given up until recently. Senator Gibson noted that the position was still in the budget.

Senator Lamb asked the Director why there was such a high out-of-state travel budget. Mr. McKenzie said it was necessary for him to meet with industrial clients outside the state. He added that it was necessary for him to attend meetings to become familiar with the Foreign Trade Zone. He pointed out the necessity for exposure by new employees of his agency.

Senator Gibson inquired if the agency had complied with the changes suggested as a result of an audit done in 1978. The Director said that most of these things had been done.

Senator Lamb inquired as to what the new position was that was requested. Mr. McKenzie said the position was for a Special Programs Coordinator. He continued by saying his department might be about to acquire a new Foreign Trade Zone. There has been an effort by the administration to provide a new vehicle for securing jobs in Las Vegas. His concern was that this program had been developed by the Four Corners Commission through the State Planning Coordinator's Office. By virtue of State statute, his department has inherited the license for the Foreign Trade Zone. He is allowed to contract with a non-profit or a profit-making organization for the actual management of that trade zone. Mr. McKenzie felt that someone was needed to keep an eye on that trade zone during its development years.

Mr. McKenzie said the Foreign Trade Zone program had some merit in terms of generating new jobs. His concern was mainly management of the zone and the protection of the State.

Senator Gibson asked if the Foreign Trade Zone would be involved in export. The Director said it would.



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NEVADA MAGAZINE (Pg. 126)

Ms. Caroline Hadley, publisher and editor of Nevada Magazine presented her budget to the committee. She briefly reviewed the history of the magazine and commented that its major function was to promote tourism. She noted that the magazine was financed by subscriptions, advertising, newsstand sales, calendars, binders, and special merchandise. Ms. Hadley added that the revenue picture tended to be overly optimistic because they are selling a product that is to be delivered long after receipt of the revenues.

Ms. Hadley stated that the magazine was in the black by \$204 for 1980. In the last 10 year period expenses had risen only 40% while revenues had increased by 450%.

Nevada Magazine is publishing a special 132-page gambling issue to mark the 50th anniversary of gaming. She noted that the magazine will be printing more than 200,000 copies of this issue, and, to date, have sold \$200,000 worth of advertising for the special issue.

Ms. Hadley requested an additional one-shot appropriation of \$50,000 for cash flow problems. She said these funds were needed to save the magazine embarrassment with vendors regarding overdue bills. She noted that these funds will only be used until July. At that time revenues would be coming in and the \$50,000 should be intact at the end of the year.

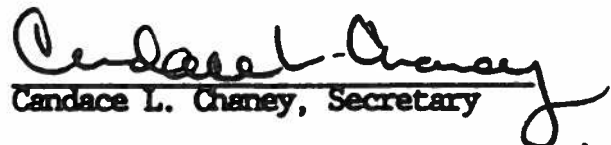
A total of eight positions were requested by Ms. Hadley for the magazine. She felt the new positions were needed to increase revenues and thereby making Nevada Magazine even better. The new positions were not recommended by the Governor until the magazine could demonstrate the additional monies to finance the new positions.

Senator McCorkle asked why a new sales position was not being requested. Ms. Hadley replied that there was no way to give incentives to State employees; she felt it was impossible to inspire them to put out a good product. She noted that their sales personnel worked on commission only,

Senator McCorkle then asked Ms. Hadley what she would ask for to make the magazine more profitable than it is now. She answered that she would like to be exempted from State Personnel and State Printing. In that way, she said, the magazine would save \$50,000 a biennium.

There being no further business, the meeting adjourned at 10:45 a.m.

Respectfully submitted by:

  
Candace L. Chaney, Secretary

APPROVED BY:

  
Senator Floyd R. Lamb, Chairman

DATE: \_\_\_\_\_

SENATE AGENDA

COMMITTEE MEETINGS

Committee on Finance, Room 231.  
Day (See Below), Date (See Below), Time 8:00 a.m.

Monday, January 26, 1981

1. Comprehensive Statewide Planning.
2. Four Corners Regional Commission.
3. Office of Community Services.
4. Statewide Comprehensive Employment and Training Office.
5. Commission for Veteran Affairs.

Tuesday, January 27, 1981

1. Department of General Services (All divisions except Central Data Processing and State Printing Office).

Wednesday, January 28, 1981

1. State Employee's Salary Increases. (Pg. 1034 - Jim Wittenburg)
2. Economic Development. (Pg. 124 - Walt McKenzie)
3. Nevada Magazine. (Pg. 126 - C. J. Hadley)

Thursday, January 29, 1981

1. State Welfare Division. (Pgs. 556-588 - George Miller)

Friday, January 29, 1981

1. Department of Taxation. (Pg. 137 - Roy Nicksen)
2. Secretary of State. (Pg. 45 - William Swackhammer)
3. State Treasurer. (Pg. 48 - Stan Colton)

