

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
March 3, 1981

The Senate Committee on Finance was called to order by Chairman Floyd R. Lamb, at 8:00 a.m., Tuesday, March 3, 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 Norman D. Glaser
Senator Lawrence E. Jacobsen
Senator Thomas R. C. Wilson
Seantor Clifford E. McCorkle

STAFF MEMBERS PRESENT:

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

OTHERS PRESENT:

Howard Barrett, Budget Division

Department of the Military (Pg. 596). General William Engel, Adjutant General of the State of Nevada, representing the Military Department, presented the budgets for the Department of the Military. General Engel asked the committee to refer to the hand-out distributed which summarized the organization of the Military Department and showed the expenditure of State and Federal funds over the past two years. (See Exhibit C.)

General Engel noted some 39% of their activities used State funds only, while the remaining 61% were reimbursable. The largest single item on which money was spent was for utilities, comprising currently 40% of the agency expenditures. He said the maintenance and repair of the buildings were primarily funded by State monies.

The General indicated the agency had received some \$1,700 in Federal funds for reimbursement of telephone costs. He noted communications expense had been considerably higher than what was projected for over the next two years. He said costs would decrease with the adoption of a new telephone system for the Military Department and expanded use of their radio network.

The Chairman asked the General what would happen if the Air Guard were moved to Fallon. General Engel stated the facilities for the Air Guard would have to be built there and communication costs would be involved. He said the department had never projected what expenses would be involved if such a move was required.

Senator Lamb inquired if there would be any Federal resistance to the move to Fallon. The General indicated there would be considerable resistance from the Federal government since they have invested several hundred million dollars in the current

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facility at Cannon International Airport. He noted, currently, the Navy base at Fallon was not large enough to take on the Air Guard.

Senator Lamb asked if the City of Reno needed the Air Guard space at the Airport. General Engel felt the city had not been pushing for more space but there had been some concern on the part of Spark's citizens concerning the high noise levels the jets made.

The Chairman requested an explanation of the new position of "building tradesman". General Engle said the position would involve an individual who would be capable of doing all trades necessary to keep the armories in repair rather than having to contract outside for those services.

Senator Lamb inquired as to the monies shown in the budget for operating under "weekend training site". The General noted that operating expense was solely for the weekend training site at Stead was totally Federally funded, it was carried as a separate item on the budget.

The Vice Chairman asked what was being done to conserve utilities. General Engel said the average temperatures had been reduced to the recommended 65-68 degree level in the administrative buildings, heat had been cut back entirely on the armory floors, and restricted to those areas of the armories used by technicians. He added as much as possible had been done to try and improve the existing heating systems. He noted the biggest problem they faced in heat conservation was the age of the armory buildings, 20 to 25 years old, and were never designed to be heat efficient. The General stated that organizations that rented space from the department had been requested to reimburse the department for utility expenses. He concluded that funds might be available through the Department of Energy to improve the heating situation.

Senator Echols inquired as to where "rental of space" showed in the budget. General Engele indicated that category showed under the funds received under "armory rental" on page 599. Those funds were being reserved to provide for State matching monies to construct an Army aviation facility at Stead.

Senator Echols asked how extensive was the use of department buildings by outside agencies. The General noted the use was quite extensive by the community college system, and by social and public service organizations.

Senator Echols noted income only showed \$2,000 while utilities were budget \$500,00, yet General Engle indicated outside agencies were charged for utilities. The General said the monies received for utility reimbursement were spent to offset the utility costs. The income monies shown were above those received for utility reimbursement and are actually rental fees.

Senator Echols inquired as to the kind of control that was kept over those funds. The General indicated the armories themselves were required to keep the income they received as part of their armory rental in a separate, auditable account. Once a year, the department's administrative officer went to the units and audited those accounts to see that monies were being spent for the benefit of the unit.

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Senator Echols asked if the recommendations made by the audit had been complied with. Mr. Frank Coonley, Assistant to the Adjutant General, noted everything had been corrected.

Senator McCorkle felt the department had not been aggressive enough in attempting to rent out their facilities. General Engel said the department encouraged the units to rent out their armories. Rates had much increased to reflect utility costs and many of the previous renters could not now afford to rent the space. He stated a prohibition had been built into the system whereby the department could not compete with local businesses on the rental of business space. Senator Lamb concurred with the prohibition.

The Chairman inquired as to the rationale for the Adjutant General's salary being increased 20%. The General felt the department was a major agency with a great impact on the State. He thought the salary paid the Adjutant General in the past was less than what the job deserved for a 21 million dollar program with almost 600 employees.

General Engel said a bill was in process at the present time proposing to combine the Civil Defense and the National Guard into one agency. He noted this proposal would have a great impact on the Adjutant General's responsibilities.

Senator Jacobsen asked if the National Guard still supplied tank retrievers to move the railroad cars for the V & T restoration program. General Engel said, to his knowledge, they had never had a request from the organization. He noted if they had the equipment, the agency had never turned down a request from a State agency.

Senator Wilson inquired if the department was optimistic about the maintenance of Federal funding. General Engel felt, under the current administration, the National Guard program might end up being better funded with regard to obtaining more modern equipment. He thought there would probably not be increased funding for the operation of the armories, but did not expect a decrease either.

Senator Jacobsen asked General Engel how he felt about the proposed merger of Civil Defense under the National Guard. The General felt the National Guard had the only resources that Civil Defense could draw on. He noted the merger would not do anything to benefit the National Guard but would benefit the State.

Senator McCorkle asked what kept the training of the National Guard from not including Civil Defense procedures. The General stated the Guardspersons were trained to handle all emergencies for which they were called.

Senator McCorkle felt that weekend training programs for the Guard were not sufficient enough in meaningful training. General Engle felt he could not argue that questions with the Senator.

The Chairman asked if the General and Senator McCorkle might discuss that issue further after the budget hearing. Senator Jacobsen believed the legislature was somewhat at fault because they had not granted authority to the agency to respond more quickly to impending emergencies.

Adjutant General Construction Fund (Pg. 599). General Engel reiterated that the monies from this fund were slated for the new Army aviation facility to be built at Stead.

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National Guard Benefits (Pg. 600). General Engel noted this program was the State's educational tuition assistance program whereby State funds were provided to members of the National Guard that permitted payment of half their fees should they attend either of the Universities, or any of the Community Colleges. He indicated the Governor had recommended increases in this program to reflect increased fee schedules on the part of the University System and was an estimate of what would occur if that increased fee schedule was imposed.

General Engel stated there were, currently, some 560 students enrolled in the education assistance program. He felt the program had a positive effect on the agency's recruitment and retention levels in the Guard.

Senator Jacobsen and Senator Echols requested a list of the types of courses students were taking who were enrolled in this program. General Engel said he would try to supply that information, at least for the past year, to the Senators.

Supplemental Appropriations (Pgs. A21 and A23).

1. (\$15,000) - Requested to replace a number of water swamp coolers in the Las Vegas and Henderson armories. A portion of those monies were to be used to repaint the Adjutant General's office.

The Chairman asked if there were not Guardspersons that were competent craft workers like carpenters, painters, etc. He inquired if there was some prohibition of using the talents of those people to benefit the agency in their craft areas. General Engel noted there were severe prohibitions against using weekend Guardspersons for those activities.

Senator Lamb inquired as to what would happen if the Guardspersons volunteered to do those duties. General Engel said if they volunteered for such duties, he would not deny them the opportunity of doing so.

2. (\$73,200) - Requested for payment of utility bills. It is predicted the agency will run out of utility monies by the end of March. This amount will be matched by \$85,000 in Federal funds.

Risk Management Division (Pg. 61). Ms. Mary Finnell, Chief of the Risk Management Division under the Department of Administration, presented the budget for this agency. She noted the division was established July 1, 1979, and their goal was to minimize the adverse effects of loss at minimum cost consistent with other goals and objectives of the State to assure continuity of governmental services to the community. Other goals were to provide maximum financial protection against catastrophe, provide long-term loss reduction and prevention, and to reduce and stabilize the cost of risk.

The objectives of the program were:

1. To identify, analyze, and evaluate risk.
2. To recommend treatment of risk such as loss control programs.
3. Provide alternative loss funding techniques.
4. Implement alternatives that have been chosen to evaluate or treat risk.
5. Measure and monitor their own programs and make changes where needed.

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Accomplishments of the program:

1. Consolidated and eliminated some policies, and, negotiated changes on other policies.
2. Actual annual savings, which did not include increasing coverages at not additional cost, were approximately \$50,000.
3. Instituted subrogation process against those people who damaged State property and were at fault, not including the Department of Transportation or the Highway Patrol. The agency collected approximately \$18,000.
4. Established a claim reporting system and set up a claims log and filing system for loss control purposes.
5. Accomplished an analysis of six years loss history in the vehicle, property, and tort claims area.
6. Established policies on rental cars to disallow extra insurance charges which waive collision deductibles.

Ms. Finnell noted the major difference between the agency request and the Governor's recommendation was the agency was looking at changing the whole process of how they were funding losses rather than buying first dollar coverage; they were looking at getting into larger deductibles or larger retentions and then purchasing excess insurance over that.

The Chairman inquired as to why this program could not be totally self-supporting. Mr. Barrett said it could be. He had checked with the Federal agency that reviewed the program's cost allocation plan and they agreed the program could be fully self-funded from premium charges paid by the agencies. He noted this discovery was made after the budget had been prepared. Mr. Barrett noted it has since been found out that the program could be fully cost allocated back to the agencies and did not require General Fund support.

Senator Wilson asked how much savings were estimated that the State could enjoy with the kind of policy the agency had requested. Ms. Finnell said the agency anticipated incurring savings in the area where, currently, the insurance companies load or include in their premium charges, expenses for their overhead, expenses, and profit.

Senator Wilson inquired if the agency felt it would cost less to do that than it would to pay the premiums under the current plan. Ms. Finnell felt, in the long run, it would save money and would eventually become self-sufficient. She said up-front monies were needed and help to process the paper. She believed the agency could do it cheaper in-house rather than pay 40% to 50% on the dollar for overhead and expense that the insurance company loads into the premium.

Senator Wilson asked how much could be saved. Ms. Finnell indicated there might be savings of 20% on the dollar. She noted the chance the State could have a bad year and might have several very large losses and that money could be wiped out. She added there might be a bit of risk in this type of program.

Senator Wilson asked, with respect to bottom-line judgment, how much money, once the system were operating, could the State save. Ms. Finnell stated the approximate overhead and expenses that were loaded into the premium were \$350,000. She felt the agency could probably do it for about \$100,000 with extra staff. She noted that figure did not include the loss fund money; it was just comparing their expenses with the insurance company's expenses.

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Senator Wilson asked what were the net savings in terms of budgeting this program. Ms. Finnell indicated, in the long run, one could save on expenses and then have more money to pay more claims up front, where most of their claims were occurring. She thought 90% of their losses were less than \$10,000 per claim, so, presently, the agency was changing dollars back and forth with the insurance company. She added the agency was paying about 40¢ on the dollar for the privilege of doing that.

Senator Wilson inquired if this was a policy judgment the agency would want made down the road. He asked if the agency had the monies now to fund the up-front costs, or, would they rather find the funds later if not available at the present time. Mr. Barrett asked the Senator to note on the top of page 62 of the agency's request under income; there was a balance forward of 1.25 million dollars. He said those were the monies for the one-time appropriation thought to be necessary for the State to handle its own large deductible. It was decided that the agency would not move into this now due to the financial condition of the State but felt it should be something the State would attempt to move towards. Ms. Finnell noted the agency was continuing with the same coverages they had in the past.

Senator Gibson noted the agency had a balance forward in the last year and assumed that had accumulated. Ms. Finnell stated that was a refund that the agency, due to the type of rating plan the agency had for fleet insurance, would obtain if the agency had a good loss history over a three year period. A partial refund on premium dollars would be received and distributed back to the agencies.

The Vice Chairman asked why there was a considerable increase in vehicle insurance yet the number of vehicles were being cut. Ms. Finnell said the agency anticipated a 20% rate increase from their current carrier. She added the budget was now showing the Department of Transportation's fleet insurance premium which previously had not been accounted for in this budget.

The Vice Chairman requested an explanation of the "miscellaneous insurance expense" item. Ms. Finnell noted there were small policies such as water craft, data processing, etc., that had not been funneled through his account. They were billed directly to the agency and were now going to be accounted for to obtain a total picture.

Senator Echols asked what resources were used to conduct inspections and appraisals. Ms. Finnell said she did not have the funds or time to travel as much as she should and ended up shuffling more paper than she should be.

Senator Echols commented that the amount of responsibilities carried out by the two members of this agency were astronomical. He requested a history of "fidelity insurance" and asked how many claims there were. She believed there were some problems in that area in the past but the underwriters had gotten together with the agencies and those problems were corrected. She knew of no losses in this program since she had been with the agency. She said it was a blanket fidelity bond.

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Senator Wilson asked what the loss record had been for State automotive coverage. Ms. Finnell noted their record had been excellent. The Senator inquired as to what the carrier based their 20% increase on. Ms. Finnell noted it was a statewide increase that Hartford Insurance Company had approved by the Insurance Commissioner.

Senator Wilson inquired why the carrier did not discriminate for the insured customer that had a good loss record. Ms. Finnell stated the State was on a retrospective rating plan which helped because the State was only charged for what their losses had been plus what expenses were incurred in the handling of the account.

Senator Wilson asked who approved the 20% increase. Ms. Finnell said the Insurance Commissioner had approved the increase. She noted the agency was looking at some ways to mitigate the effects of the increase by combining the Department of Transportation's fleet with the State fleet to obtain savings of approximately \$30,000 to \$40,000 if the plan works.

Senator Wilson asked when the Insurance Commissioner made a determination like that by which the State is bound in the premiums it had to pay, was that an adversary proceeding where the agency could appear to oppose and contest the application of the carrier for an increase. Ms. Finnell said, normally, the consumer could either shop around and look for another insurance company, or, get into a self-insurance program and then just purchase excess insurance. She noted the State was in a three year plan with Hartford and would mean some substantial penalties if the policy were discontinued. Mr. Barrett thought the agency had not been informed that the carrier had asked for an increase. He noted the State was just the same as any other client, if the increase was granted through the Insurance Commissioner, that was the amount they were charged. He believed the agency could have appeared if they had been aware of the rate increase application.

Mr. Barrett asked Ms. Finnell if the State still had a year under this carrier. Ms. Finnell said yes. It was determined that it would not be effective or efficient for the agency to move the account because of the penalties and the rating plan the policy was under.

Senator McCorkle inquired as to how the premiums could be raised when it was a three year contract and should be at a fixed premium for three years. Ms. Finnell said it was an annual rerate.

Senator Gibson commented he was confused because it was said the premium was based on the actual loss plus a handling charge for expense, how did the 20% increase affect that. Ms. Finnell stated initially, a standard premium was paid based on average rates, the insurance company held on to the insured's money until their loss history was looked at. If the State's losses were worse than average, it would end up paying that rate.

Senator McCorkle noted it sounded like there was no advantage to having more than annual contracts. He asked why it was decided to have a three year policy. Ms. Finnell noted she was not with the agency at that time. She indicated there were some advantages in the formula used. The expense factors were affected by the type of plan chosen and the maximums and minimums paid. She said the agency would look at alternatives when it came time to renew the policy.

Senator McCorkle inquired if the 1.25 million was funded, how long would it take to recoup those monies. Ms. Finnell said

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it would depend on the State's losses in that deductible or retention level. She thought if the State continued with its very good luck, money would start piling very quickly. They would start to accumulate interest income and other advantages because of the reduced loss and premium expenses. She believed the State would have a good handle on recouping in five years. Mr. Barrett noted there would be no guarantee those monies could be recouped in five years; if the State got too high of a deductible there could be the possibility of substantial losses.

Senator Gibson asked if the agency could raise the deductible in stages until, eventually, the State would be wholly self-insured and then phase the program in. Mr. Barrett said that was what the agency had been thinking of doing. Ms. Finnell said that plan depended on the insurance market and how much of a break could be gotten and where the break would come. She noted that was why, in the property area in regard to the loss fund, the agency had set up monies for property contents and the premiums were for excess insurance premiums only for a catastrophe.

Senator Wilson inquired as to how materially did the limit of sovereign immunity apply to the judgment being made here. Ms. Finnell stated, so far, it had held. The only problem encountered was out of State, the Supreme Court had ruled that their limit of liability did not apply.

Senator Wilson was not as concerned about the Supreme Court as he was with the Federal courts. Ms. Finnell said with regard to civil rights and Federal cases, there was no limit which was why she was requesting to buy excess insurance and general liability area where they have none currently.

Senator McCorkle asked if the agency had given any more thought to the idea of insuring prisoners. Ms. Finnell said she had. She noted if the State would insure that type of exposure, it was still going to pay for losses plus pay for the expenses of doing business with the insurance company. She felt it would end up costing the State more money.

The Chairman asked what Ms. Finnell thought about self-insurance. Ms. Finnell thought the State should be moving towards that goal, and, with going into the large deductible in the property area would be a good beginning. She noted other areas could be done immediately that would be fairly self-sufficient. She added that additional staff would be needed and there would be extra expense for that.

Senator Lamb requested an essay style report from Ms. Finnell with regard to her feelings on the self-insurance program in the health insurance area. Ms. Finnell said she would provide such to the Senator.

Clear Creek Youth Center (Pg. 64). Mr. Howard Barrett presented the budget for this agency. He introduced Mr. Sarge Bryant, Director of the center, to the committee. Mr. Barrett noted the program was a three-man operation largely in the maintenance area. It was the facility at the old Job Corps camp that is made available to mainly private and some State agencies for recreational programs. The center is a Federally owned facility which is leased by the State on a five-year basis.

Mr. Barrett indicated income had been received from Federal meal reimbursements for last year and this year because for that period two of the center's dormitories were used by group from the Federal Youth Authority. Meals and the use

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utilities for this group were reimbursed to the center by Federal funds.

Other income, Mr. Barrett noted, came from the user/meal reimbursement to pay for all of the costs of food, cook labor, and half of the utilities from all other users of the facility.

Mr. Barrett indicated \$20,000 of the budget was to pay for inmate labor, namely the cooks. The agency was not requesting any new positions.

Senator Gibson asked what the use factor was for the facility. Mr. Bryant noted between 10,000 and 12,000 youth stayed at the facility each year and the center ran about 90% capacity for the year.

Senator Jacobsen commended Mr. Bryant on his job as a medical technician and his work in that program.

Personnel Division (Pg. 110). Mr. Jim Wittenburg, Director of the Personnel Division, presented the budget for this agency. He noted the division was responsible for establishing uniform compensation administration for State government, the recruitment and examination of the best possible employees to be placed in the various State agencies, and, to assist in establishing and maintaining the most efficient and effective operation possible. The agency was funded through a .83% assessment for the gross payroll, he said, and .23% for the payroll process itself.

The Director indicated a number of recommendations were contained in the Management Task Force study which the agency was proposing to implement in a bill still to be introduced which he thought would help streamline the personnel system considerably. Those recommendations included a rule of ten rather than the current rule of five and the further delegation of some of the activity to agency personnel staff.

Mr. Wittenburg noted cuts in personnel did not show up in the budget document because there were a number of clerical positions which were justified and then funded through the CETA program. He said with the demise of the CETA program, the agency had lost those positions. He also noted the division had converted one Chief position to a working level Staff Analyst.

The Director listed the responsibilities of the division:

1. Recruitment.
2. Classification of pay.
3. Factor ranking.
4. Training and administrative services.
5. Performance evaluations.

Senator Wilson asked the Director's reaction to Task Force recommendation No. 34 which called for the elimination of the 95% rule. Mr. Wittenburg felt it was a sound recommendation. He thought the administrative and executive salaries should be set based on responsibility level. Mr. Barrett noted that the Administration concurred and had always opposed the 95% law and would continue to do so.

Senator Wilson inquired if the division had requested legislation concerning this issue. The Director indicated the agency had and the bill had been delivered the day before. He noted

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the law was getting worse each year because of the problems it created and led to an awful lot of inequities.

The Chairman commented the law also saved a lot of money for the State. Mr. Barrett felt it had not. Senator Lamb disagreed, saying it had saved this State millions of dollars. Mr. Barrett stated the savings to the General Fund amounted to less than \$30,000 a year. The Chairman asked how Mr. Barrett could determine that. Mr. Barrett stated his division took the positions and worked them out as to what their salary would be.

Senator Lamb inquired as what the salaries would be if the law didn't exist. Mr. Barrett noted the law only held back the one level of supervision, it did not hold back the whole system as Senator Lamb thought.

Turnover Analysis Program. This program allowed the division to find out where turnover occurred by classification and by organization. The Director noted in 1979 the turnover rate was 26% and last year it was 22%. He said a certain amount of the reduction was due to labor market and economic changes. The information was analyzed and it was determined there were four major areas which constituted 75% of the turnover:

1. Clerical area.
2. Mental Health technicians.
3. Correctional area.
4. Group Supervision.

Mr. Wittenburg felt a good portion of the turnover was due to salary erosion that had been experienced as a result of the Presidential guidelines and other problems contributing to high turnover areas. He noted the division had implemented some changes to improve those problems.

The Chairman noted the percentage of turnovers were the lowest he had seen compared with the private sector turnover. The Director indicated that the rate had been around 10 to 14% prior to the last two year period.

Senator Lamb asked Mr. Wittenburg if he thought these were pretty good jobs. Mr. Wittenburg thought they weren't terrible jobs; he thought they were pretty good jobs. He did not want to say they were terrible and he did not want to say they were great jobs, they were somewhere in between. He indicated the jobs were not quite as good as they used to be when the salaries were more competitive.

The Chairman inquired as to the amount of emphasis the division put on productivity with regards to State employees. The Director said there was a lot of emphasis put on it. Senator Lamb asked Mr. Wittenburg if he were paying the bill himself, would he put more emphasis on productivity. Mr. Wittenburg said he would put as much emphasis on it, if not more.

Senator Lamb asked if the Director felt there might be room for more improvement in that area. Mr. Wittenburg felt there was always room for more improvement. He noted that productivity was not a one-time shot; it was something continually worked on and had to come from outside the organization, as well as, within the organization.

Senator Jacobsen inquired if any division personnel had analyzed any of the departments on an occasional basis. The Director said only from a classification standpoint. The on-site productivity inspection program was removed from the division last session.

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Mr. Wittenburg referred to the budget document and noted the increase in staff requested for 1½ clerical positions. He said one administrative position had been cut resulting in savings of \$10,000 which practically paid for the clerical positions. He noted other increases in this budget were due in large part to inflationary provisions for inflationary increases.

Senator Jacobsen asked how many employees were employed by the division. The Director stated there were 98 employees in total.

Senator Echols requested Mr. Wittenburg to address the audit report of 1979 concerning the payroll operated by his division. The Director indicated most of the recommendations were implemented; some would need added resources to be able to comply. He noted most of the problems had been eliminated. The big remaining problem was anticipated pay and 75% of the errors caused were due to anticipated pay. He proposed to eliminate that problem if, and when, there was a retroactive pay appropriation for classified employees.

Senator Echols asked what an exception reporting system meant. The Director said they mean reporting only the changes in the system.

Cooperative Personnel Services (Pg. 110). Mr. Wittenburg indicated this program provided one half-time position for the Clark County Health District and was completely funded by the using jurisdiction.

Intergovernmental Personnel (IPA) (Pg.112). Mr. Wittenburg indicated this program provided a quarter of the salary for one position, the IPA Coordinator with a three-quarters match from the Federal government. He noted the budget contained a small amount of operating money. The position was responsible for the administration of the program where Federal monies provided for improved personnel systems at the State and local levels.

The Vice Chairman inquired if the division thought the Federal monies would still be available for this program. The Director felt those monies would likely be cut which would result in the employee being laid off and the phaseout of the program.

Personnel Reassessment Reallocation (Pg. 1033). The Director noted this program evolved after a number of changes were made after the Personnel budget had been drawn up for the budget document. The funds shown in this budget was the amount of money necessary to put back into the Personnel budget.

Senator Gibson asked what kind of changes were made. Mr. Barrett said they were last minute budget decisions. He noted this was the division's estimate as to what it would cost the General Fund when spread back through all the various budgets as personnel assessment on the same grade code they had before. He noted this budget would go away.

Mr. Wittenburg said this budget was also due to all the cuts in existing staff that were occurring during the budget process, therefore, the total number of employees upon which their budget was based was less certain than normal.

Mr. Sparks inquired as to where the expenses went and what the money was to be spent for. The Director thought some would be for salary and some was for operating. Ms. Paoli, of the Budget Division, said this budget made the revenues shown in the personnel assessment in the Personnel Division's budget balance with what all the agencies are showing as their personnel assessment of their budgets. She noted this would not change the Personnel Division budget and, added the .008 rate might have to be adjusted to whatever necessary at that point in time.

Labor Commission (Pg. 741). Mr. Edmong McGoldrick, the Labor Commissioner, presented this budget to the committee. He indicated this office was charged with the collection of unpaid wage claims and audits, the licensing of employment agencies, and with the enforcement of labor laws, particularly those governing the employment of minors.

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He noted the Labor Commission had two offices, one in Las Vegas with a staff of five, and, one office in Carson City with a staff of ten.

Mr. MC Goldrick said the Governor had recommended that one Administrative Aid position be eliminated. He indicated the Las Vegas office did 45% of the State's workload and that area could not be served adequately with a staff of four. The Commissioner requested the committee to consider that the position be retained.

Senator Echols inquired as to the agency's status with regard to the recommendations made by the audit report. Mr. MC Goldrick stated the audit's four recommendations made had been fulfilled and that he was satisfied.

The Labor Commissioner noted an unusual item in the budget with regard to an employee of the agency who had, previously, not qualified for a pension, and did now qualify under new regulations. He indicated the employer's retro-active share of the pension was \$3,754. This was a one-time item.

Senator Glaser asked what the \$27,000 item was under contract services. He said it seemed to be for legal counsel and asked why the agency did not use the office of the Attorney General. Mr. MC Goldrick stated the agency did use the office of the Attorney General but there was a backlog of so many cases that required the use of privately contracted attorneys. Mr. Barrett noted legal counsel was not implied in the ordinary sense, this was legal counsel to prosecute labor claims.

Senator Jacobsen inquired to Mr. MC Goldrick's opinion of the Council attached to his office, were they doing a good job. The Labor Commissioner said the Council seemed to be very responsive and was satisfied with their activities.

Mr. McGoldrick referred to the in-state travel budget and indicated that 70% of the work of this office was investigative in nature and he hoped the committee would find those travel monies justifiable.

Senator Wilson asked Mr. Barrett as to the rationale of the Governor's recommendation for in-state travel. Mr. Barrett said the judgment on this item was consistent with most of the other agencies, and those monies were budgeted at the same level as 1979-80 expenses even though air travel costs are slated to go up. He stated this was another way to try and economize.

Mr. Barrett indicated that this budget was over-economized in the area of office equipment and furniture. He noted \$500 should have been budgeted into this category for replacement of equipment and the committee might want to consider approving that amount.

Senator Echols asked what the rationale was of having only a staff of four in Southern Nevada when that area handled 45% of the workload. The Labor Commissioner stated that was the situation when he assumed his office at the Labor Commission. He said some of the workload had since been shifted to the Carson City office.

Budget Division (Pg. 53). Mr. Howard Barrett, Director of the Budget Division, presented this budget to the committee. He said the division was not requesting any new positions and were requesting the elimination of one position, a typewriter operator.

Referring to the agency request column, Mr. Barrett suggested the reduction of one Analyst, decreasing the Analysis staff from seven to six. He noted during the preparation of the budgets, he felt it would be impossible to produce the budget with one less Analyst. The Director said he was able to convince the Governor that he should recommend putting back the analyst, which he did.

Mr. Barrett indicated he wanted to volunteer the decrease of another position to comply with the 10% staff reduction request. He indicated the position of Pre-audit Examiner would be cut with the understanding that the loss of this

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position would not enable the division to audit all claims as they came through pre-audit. Due to the deletion of this position, the division elected to selectively audit only those claims which merit an audit, deleting those claims that they have historically had the least trouble with. Those claims which would receive special attention include contract claims, all travel claims, and agencies with continual problems. Other claims would be spot checked periodically.

Mr. Barrett noted there was nothing unusual in the fringe benefit areas.

Group insurance. Mr. Barrett noted there was a 25% increase in premiums as approved by legislature. He said it would not show in the budget as a 25% increase as a result of fiscal year 1980 where only 11 payments were made to the company rather than twelve payments. Mr. Barrett indicated it was discovered that the division had been paying one month in advance when it was only necessary to pay within the month.

Agency publications. Monies for the first year of the biennium were for the printing of the State Administrative Manual and for miscellaneous small publications. For the second year of the biennium, \$17,000 was intended for the cost of printing the budget document. Mr. Barrett thought that figure might be high and noted the possibility of cutting back some of those monies.

EDP system programming facility charges. Mr. Barrett stated these were monies paid CDP for their handling of the budget. He noted the figure was low and should be increased because the cost for data processing this year would be \$47,564.

Legal Fees. These monies were for the Budget Division's one-quarter share of the Deputy Attorney General and his secretary.

Dues and Registration. Contained funds for the Director of the Division to attend conferences.

Special Studies. These funds were used periodically for data processing and special projects.

Productivity Studies. Mr. Barrett indicated these studies were not recommended to remain in this budget but to be transferred to the Governor's Office at the same level of activity. The studies, themselves, included one done at the Prison, two studies for Gaming on their management information system and for their electronic equipment for testing and monitoring electronic gaming devices, and, one not yet published on Parole and Probation. No studies were presently in progress and the amount of \$119,000 would revert to the General Fund.

Senator Gibson noted the Governor's Task Force had recommended quite a few changes in this division and did Mr. Barrett agree with those changes. Mr. Barrett stated those recommendations were going to be changed to some extent and the Task Force would not continue to recommend a Department of Finance and Accounting. He noted the Task Force would, also, not continue to recommend the deletion of the position of Deputy to the Director. Mr. Barrett added that position was vital to the Division. Mr. Barrett said one of the Task Force recommendations was to merge the Personnel Division with General Services. A bill was being drafted to accomplish that purpose but Mr. Barrett, as yet, had not received it.

Mr. Barrett said the Task Force had recommended the Risk Manager stay with the Budget Division and the hearing and appeals function be located with General Services. He stated the Budget Division was suggesting that function stay with the Department of Administration.

Group Insurance Committee (Pg. 56). Mr. Barrett noted the monies in this budget provided per diem travel costs for members of the Group Insurance Committee whose own supervisors did not want to pay for their travel from their own individual budgets.

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Governor's Out-of-State Travel (Pg. 57). Mr. Barrett commented this was the amount of money taken out of a number of agencies' budgets, approximately \$140,000, on Budget Division recommendation. That amount was reduced by \$75,000 and put in this budget to pay for out-of-state travel for those agencies. The Governor delegated this authority to Mr. Barrett as to who traveled out of this budget. The like amount of \$75,000 was being requested for this budget. The present balance of the account was approximately \$17,000.

The Vice Chairman inquired as to why the Director's Office of the Department of Human Resources had more travel than anyone else. Mr. Barrett indicated he thought a couple of those trips were to Washington, D.C., and to Louisville, Kentucky having to do with the management of nuclear waste. He noted one trip was to the National Governors Conference, also.

State Unemployment Compensation (Pg. 59). Mr. Barrett said this budget collected the amount of money from each payroll system at the rate of .25% from the personnel payroll system. It was held in a pot, then paid to Employment Security on a quarterly basis for the actual amount of unemployment paid to ex-State employees. Mr. Barrett requested this budget be increased next year to .42% of the gross personnel payroll.

Senator Gibson asked if there was going to be a balance forward in 1981-82. Mr. Barrett stated there would be, it simply did not show. He said there was a balance forward to 1979-80 of \$380,000.

The Vice Chairman referred to "unemployment compensation", where the recommended amount allowed for increases in the maximum allowable payment for each claimant and asked what that was based on. Mr. Barrett said the division was not anticipating the increased payment, they were anticipating there would be more people. He indicated that Ms. Paoli said the maximum weekly payment this year was \$123, next year it would be \$131, and the second year it would be \$139. It was a doubling of the number of employees, not of the benefits.

Senator Gibson inquired as to what determined that action and was it tied in with the State Unemployment Program which was scheduled to rise. Mr. Barrett thought the rise would be due to increases in salary.

Merit Award Board (Pg. 60). Mr. Barrett said this was a very small budget and was suggesting the budget remain at that amount. He noted \$500 was budgeted for letterhead, office supplies, etc., while \$5,000 in funds were available to pay employees for various efficient suggestions they might come up with to benefit the State.

Senator Jacobsen asked how many awards had been made. Mr. Barrett indicated the number of awards were shown in the budget statement program. Senator Jacobsen then inquired as to how the employees shared in the \$5,000. The Vice Chairman indicated it depended on the value of their suggestion.

Ms. Marilyn Paoli addressed the committee to correct a statement made at a previous meeting concerning the Archives budget. She noted state owned building rent did go up in the second year of the biennium and Archives did get a separate rate for their storage area. She had previously mentioned the two rent rates were the same, and had since discovered they were not.

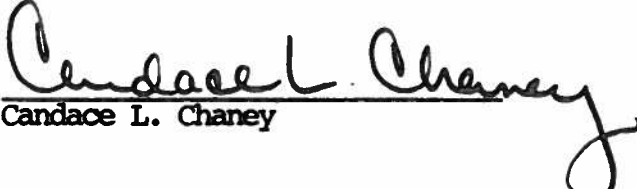
Senator Jacobsen noted he had checked on the heating situation at Archives and had discovered no one had reported the broken pipe to Buildings and Grounds. Senator Jacobsen reported that the pipe had been fixed.

The Vice Chairman reminded the committee and interested parties of the meeting being held March 4, 1981, at 7:30 a.m., in Room 131 concerning the educational system in Nevada.

There being no further business, meeting adjourned at 10:30 a.m.

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Respectfully submitted by:


Candace L. Chaney
Candace L. Chaney

APPROVED BY:


Senator Floyd R. Lamb, Chairman

DATE: 3/10/81

SENATE AGENDA

COMMITTEE MEETINGS

Committee on FINANCE, Room 231

Day (See Below), Date (See Below), Time (See Below)

MONDAY, MARCH 2, 1981 - 8:00 a.m.

1. S.B. 79 - Amends Act adding two judges to Second Judicial District.
2. S.B. 208 - Makes appropriation for cost of litigation involving Truckee River Stream System and consulting experts.
3. S.B. 43 - Authorizes establishment of residential centers by Department of Parole and Probation.
4. S.B. 29 - Extends program of restitution by certain offenders.
5. S.B. 197 - Increases allowance against property tax accrued for qualified solar systems and provides this allowance for certain water heaters.
6. Western Interstate Commission for Higher Education (Pg. 258.4 & 259)
(Dr. Donald Driggs)
7. S.C.R. 6 - Requests inclusion of library science in program of the Western Interstate Commission for higher education.
8. S.B. 198 - Creates process for competitive bidding to provide services proposed by Department of Human Resources.
9. S.B. 277 - Makes supplemental appropriation to youth services division of Department of Human Resources.

TUESDAY, MARCH 3, 1981 - 8:00 a.m.

- ✓1. Department of the Military (Pg. 596 - General William Engel)
- ✓2. Adjutant General Construction Fund (Pg. 599 - Gen. Engel)
- ✓3. National Guard Benefits (Pg. 600 - Gen. Engel)
- ✓4. Department of Administration (Howard Barrett)
 - ✓a. Budget Division (Pg. 53)
 - ✓b. Group Insurance Committee (Pg. 56)
 - ✓c. Governor's Out-of-State Travel (Pg. 57)
 - ✓d. State Unemployment Compensation (Pg. 59)
 - ✓e. Merit Award Board (Pg. 60)
 - ✓f. Risk Management Division (Pg. 61)
 - ✓g. Clear Creek Youth Center (Pg. 64)
- ✓5. Personnel Division (Pg. 110 - Jim Wittenburg)
 - ✓a. Cooperative Personnel Services (Pg. 110)
 - ✓b. Intergovernmental Personnel (Pg. 112)
- ✓6. Labor Commission (Pg. 741 - Edmond MC Goldrick)

WEDNESDAY, MARCH 4, 1981 - 7:30 a.m.

ROOM 131

1. State Department of Education and School Districts.

THURSDAY, MARCH 5, 1981 - 8:00 a.m.

1. Department of Commerce (Pg. 690 - 738 Jim Wadhams)

**DEPARTMENT OF THE MILITARY
NEVADA NATIONAL GUARD**

	<u>FY 1979</u>	<u>FY 1980</u>
Full-Time Employees	23 State 411 Federal	23 State 403 Federal
Expenditures	\$ 518,600 State \$17 million Federal	\$ 554,300 State \$21 million Federal

Purpose:

The Military Department under the direction of the Governor prepares and carries out the necessary rules, regulations, and programs to organize, govern, arm, equip, train, and compensate the militia of the State. The Department has the responsibility to train members of the Nevada Army and Air National Guard, and to maintain a Nevada Military Academy for the purpose of training non-commissioned officers, and for training and commissioning officers in the Nevada Army National Guard. Full federal funds are provided to pay, equip, and train Guard personnel. In addition, funds are provided to the state on a matching basis, varying from 75% federal and 25% state to 100% federal for construction and maintenance of training facilities.

Goals:

Provide an effective military organization for use by the State of Nevada in support of the Constitution and to protect life and property in times of emergency and disaster; Provide military units prepared to assume federal mobilization missions as required by the President and Congress of the United States.

Currently the Nevada Army National Guard consists of 21 units and detachments located in 9 communities throughout the state. The current strength as of 1 January 1981 is 1070, which is 86.8% of our authorized strength of 1232.

The Air National Guard consists of 10 flights and squadrons, all located at the ANG Base at Cannon International Airport in Reno. The current strength is 876, which is 88.9% of our authorized strength of 985.

1981-82 GOVERNOR'S RECOMMENDATION FOR 10I-3650

(DOES NOT INCLUDE TUITION WAIVER)

