

MINUTES OF THE
MEETING OF THE SENATE COMMITTEE
ON FINANCE

SIXTY-FIRST SESSION
NEVADA STATE LEGISLATURE
March 30, 1981

The meeting of the Senate Committee on Finance was called to order by Senator James I. Gibson, Vice Chairman, at 8:00 a.m., Monday, March 30, 1981, in Room 231 of the Nevada State Legislature Building, Carson City, Nevada. Exhibit A is the Meeting Agenda. Exhibit P is the Attendance Poster.

COMMITTEE MEMBERS PRESENT:

Senator James I. Gibson, Chairman
Senator Eugene V. Echols
Senator Norman D. Claser
Senator Lawrence F. Jacobsen
Senator Thomas R. C. Wilson
Senator Clifford E. McCorkle

COMMITTEE MEMBERS ABSENT:

Senator Floyd R. Lamb, Chairman

STAFF MEMBERS PRESENT:

Ronald W. Sparks, Chief Fiscal Analyst
Dan Miles, Deputy Fiscal Analyst
Tracy L. Dukic, Secretary

OTHERS PRESENT:

(Please see Exhibit P)

The meeting was called to order by Senator James I. Gibson, Vice Chairman, at 8:00 a.m. The presentation on Assembly Bill 228 was given by Mr. Guy Shipler, Chairman of the Commission of Judicial Discipline.

ASSEMBLY BILL 228

This bill relieves the court administrator from the duties of the secretary of the Commission on Judicial Discipline.

Mr. Shipler began by telling the Committee that the bill has already been introduced, but that there is a revised fiscal note which will impact the budget of the Administration Office of the Court. He said that they are proposing to separate the duties of the secretary of the Commission from that of the administrator of the Court. He went on to further explain the conflicts they have been encountering with the current setup. He also said that the Supreme Court is opposed to the separation of duties that Assembly Bill 228 proposes. He gave the Committee the cost breakdown and the fiscal impact. He also said that, according to Mr. Robert Newpher, the secretarial position should only be a halftime position and would then only cost \$14,000 dollars per year.

Senator McCorkle asked who had made the statement that the additional position would cost \$75,000 dollars per year.

Mr. Shipler replied that this statement had been made by the Supreme Court to the Ways and Means Committee.

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Senator McCorkle asked what the official fiscal note contains in regard to the cost breakdown.

Mr. Shipler replied that the salary being proposed for the fulltime secretarial position is \$20,000 dollars per year, and with the cost of this position included, it would amount to an approximate expenditure of \$35,000 to \$40,000 dollars.

Senator Gibson asked Mr. Shipler if he would submit his explanation of the needs and costs involved in this request.

Senator Wilson asked if the AOC has included in their budget the halftime secretarial position which is being proposed.

Mr. Shipler replied that they have not included this position in their budget.

Senator Jacobsen told Mr. Shipler that he had requested from Mr. Brown of the AOC a complete work plan of the Judicial Commission's activities, and he said that, upon careful review of this document, he was not that impressed with the Commission's progress.

Mr. Shipler added that at least 90 percent or more of their work is conducted in confidentiality, and this prohibits them from giving too detailed an explanation of their activities. He did reassure the Committee that just the mere existence of the Commission has had an affect upon maintaining proper court procedure.

Mr. Shipler continued with his presentation by giving the Committee the figures compiled by Mr. Newpher; he stated that he does not feel that the outside investigating attorney position that is also requested in Assembly Bill 228 is necessary; that they are able to utilize the investigatory source from the Attorney General's Office.

Senator Jacobsen asked Mr. Shipler if he could tell the Committee where the Commission members feel that their loyalty lies -- with the Administration?

Mr. Shipler responded by saying that they feel their loyalty lies with the public, those people who created the Commission.

Senator Jacobsen suggested that possibly this secretarial position might be filled by somebody from within the Legislative staff.

Mr. Shipler responded that this would be find.

MINING COOPERATIVE FUND

Mr. Kieth Papke, substituted for Mr. John Schilling and presented the budget for the Mining Cooperative Fund. He told the Committee that the budget contains a \$5,000 dollar increase to partially offset inflation for each year of the biennium.

Senator Jacobsen asked if it would be feasible to combine efforts with the Division of Forestry's satellite program to determine the topography of different areas.

Mr. Papke replied that the topographic expenditures are pretty well fixed. He also said that the satellites are too high to give them the relief they need.

Senator Jacobsen asked what the demand for these maps is.

Mr. Papke said that the demand is great.

Senator Jacobsen asked if there is a charge for maps utilized in mining exploration and recreation.

Mr. Papke replied that there is a charge for both of these kinds of maps.

Mr. Papke replied that the mapping was done as a cooperative program and published under the title of the Eureka County Bulletin and was directly responsible for the discovery of the Newmont-Carlin Gold Mine and the Cortez Mine. The information gained from the geodetic survey maps prepared by the U.S. Geological Society aided in the discovery of the Freeport Gold Mine.

Senator Echols asked why, if the Fund charges a fee for the purchase of these maps, is this fund not self-supporting.

Mr. Papke replied that it would be impossible to charge enough for the maps and still supply the demand. He said that the price charged for each map is determined on the basis of printing costs, and the number of publications printed is a projected estimate of how many individual sales will be made of one item.

Senator Gibson commented that he believes that the fact that the information these maps provide being available to the public and private industry is important enough to justify the burden of the cost to the State. He added that the information contained in these publications is also utilized by many United States Government agencies.

Francis Dubois, State Inspector of Mines, testified that the reports are valuable because they provide a summary of the mineral and geological resources of different areas.

Mr. Papke added that the recreational maps are sold as a service to Nevada, but only a small portion of what is offered by the Mining Cooperative Fund is represented in the sales of these maps.

NEVADA INDUSTRIAL COMMISSION

This budget was presented by Mr. Joseph Nusbaum, Chairman of the NIC, and Mr. Thomas Farrer. Mr. Nusbaum began by reading a prepared presentation, (please see Exhibit C), and read only pages 1 through 12, that portion relating directly to the Nevada Industrial Commission. The forum was then opened to questioning from the Committee.

Senator Wilson asked why they had chosen not to comply with the Task Force recommendation to reduce the staffing in the Public Information Department, and he asked where the proposed increase of four positions is listed in their budget.

Mr. Nusbaum replied that the Task Force had been laboring under a misunderstanding. He stated that the NIC had spent only \$20,000 dollars of the approved \$500,000 last biennium for informing the public; that, by law, they are required to do a certain volume of advertising in order to keep the labor force aware of what is going on. He stated that they have requested only \$50,000 dollars for this biennium, and he asked that the Finance Committee sponsor legislation to promote the reorganization of the trust fund.

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X Mr. Nusbaum replied that the trust fund is presently funded in the amount of

Senator Gibson asked what kind of return they are receiving on the monies they have invested from the trust fund.

Mr. Nusbaum asked Mr. J. R. Clark to address the Committee on the NIC's investment status.

Mr. Clark replied that the investments are made on a calendar-year basis. He told the Committee that during the 1979-80 period, they received a 8.79 percent return on their investments, which were divided among equities, income and cash equivalents.

Senator Gibson asked Mr. Clark to give the Committee a synopsis of the position of Scudder, Stenvenson and Clark.

Mr. Clark replied that they are now solely responsible for the fixed income investments, with only a small portion invested with BANKO.

Senator McCorkle asked what was preventing the NIC from pursuing legislation similar to that proposed by the Retirement Advisory Board in allowing the NIC to invest in real estate investment.

Mr. Clark answered that they currently do not have this flexibility; that they are requesting the legislation currently that would allow them to enter into the direct real estate market, but it would be done through a co-mingled real estate fund of a bank or an insurance company. This would allow them to take advantage of some of the real estate opportunities and would give them a greater diversification of interests.

Mr. Nusbaum replied that the Advisory Board took up this recommendation and did propose legislation be introduced. He stated, though, that it is the Advisory Board's position that the NIC should not be in an ownership position if they were to invest because of the experience of other states who have tried this investment.

Senator McCorkle asked if the NIC has the flexibility to put some of the benefits that the Retirement Board has built in to some of their investments beyond the equity benefits.

Mr. Nusbaum replied that he would assume not, if this was not connected with a co-mingled fund.

Senator McCorkle asked, in light of the fact that Scudder yields a low return traditionally on their fixed income, why they have chosen to remain with this firm.

Mr. Nusbaum replied that Scudder did not do well with the equities investments that were made so they removed their equity holdings from them, but they have done well with the fixed income investments, and they have kept those investments with Scudder. He said that previously most of their investments were short-term notes, but they are phasing that policy out and going more and more towards longterm investments. He added that the improvement of the market over the last year has also helped improve their investment outlook.

Senator McCorkle asked if the total figure of 560 positions for the NIC includes the vacancies that are intended to be filled during the coming biennium.

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Mr. Nusbaum replied that it does; that the vacancy figure is a constantly changing figure, too.

Senator McCorkle asked how many vacant positions were included in the total figure of 560 positions.

Mr. Nusbaum replied that there are 83 vacant positions.

Senator McCorkle asked what the 4 percent administrative figures included.

Mr. Nusbaum replied that the 4 percent administrative figure is based upon the actual expenditures for the past years.

Senator McCorkle noted that they currently have three field audit positions vacant, and they have an audit policy of indiscriminately auditing firms quire frequently. He said that he feels that this policy deserves better scrutiny.

Mr. Nusbaum responded by saying that there are certain types of businesses that are audited more frequently than others, sometimes as much as once a year. He said that this is determined by how stable the business is, and he cited the construction industry as being on busienss which is susceptible to great fluctuation. He said that another reason why a business may require an audit is if it seems to be grossly out of line with other firms in the same profession. He indicated that an average business is audited once every two years.

Senator McCorkle questioned the cost-effectiveness of auditing businesses yearly that have merited trust by having little or no audit exceptions found over a certain number of years. He said that for these businesses it might be more cost effective to stagger the audits.

Mr. Nusbaum replied that NTC's experience has been that certain businesses do require annual audits.

Senator Gibson asked Mr. Nusbaum to explain the relationship they have with the Livermore Laboratory, which is a federal facility.

Mr. Nusbaum replied that it is a very unhealthy situation. He explained that the NIC has a contract with the AEC to administer the workman's compensation program at that test site, but because of the confidentiality of the work preformed there, the NIC has no on-site representation nor are they allowed to administer the program at the facility. The result is that if an employee is injured on the test site and that a claimant's claim is mishandled, there would be no way to determine that because the facility itself had handled the claim. He indicated that this should not be allowed to continue because there is no impartiality of judgment.

Senator Gibson asked if the contract between the NIC and the Livermore Lab is an open-ended contract.

Mr. Nusbaum indicated that it was open-ended; that it is his intention to begin negotiations with the Department of Energy in order to change this contract.

Senator Gibson asked if this step would require any legislative action on the part of the Legislature in order to strengthen the NIC's legal ability to deal with this problem.

Mr. Nusbaum indicated that he is presently now aware of any legislation which would affect their ability to deal more effectively with this problem, but he did indicate that he fears they may run into problems with the Federal Government in trying to renegotiate this contract.

Senator Gibson said that he was under the impression that there are presently many proposals under consideration this session to extend the benefits for some disabilities, and he asked Mr. Nusbaum if he had reached any conclusions about these proposals.

Mr. Nusbaum replied that the Committee is presently trying to determine priorities on benefit eligibility status. He said that they are supporting several changes, one of which would require an initial examination at the time of employment to prevent misuse of the NIC system, but he did indicate that the Commission is supporting the extension of some benefits of some illnesses which are work-related.

Senator Wilson asked Mr. Nusbaum to reference page 978 and asked him to explain the transfer of the Hearing Officer's position to another budget.

Mr. Barrett interjected and told the Committee that the position transfers are shown, but that the budgets of the Hearing Board and the Appeals Board have been combined.

Senator Jacobsen asked what improvements have been made between the time a claim is filed and the first payment of benefits to the claimant.

Mr. Nusbaum said that in 60 percent of those cases filed, the claimant receives their first payment within 14 days of the filing, although he indicated that this process can be slowed down by the slow receipt of documents.

Senator Jacobsen asked if the NIC is happy with their electronic data processing unit.

Mr. Nusbaum indicated that they were only happy with the Central Data Processing Unit.

REHABILITATION CENTER

Mr. Nusbaum read from Exhibit C, pages 13 through 19, (please see Exhibit C).

Senator Wilson asked if Mr. Nusbaum was sending patients from Central Nevada to other clinics within the State or outside of the State.

Mr. Nusbaum indicated that they are doing this, but he indicated that these are mostly Northern Nevada cases. He also indicated that there is a housing problem involved in shipping these individuals to other clinics.

Senator Echols asked why the NIC was leasing different facilities.

Mr. Nusbaum indicated that they have encountered a negativity towards State-owned facilities, and he said that as a result of this, they are pursuing Advisory Board recommendation #2, page 16, (Exhibit C).

Senator Wilson asked if the requested medical staff is capable of handling the responsibilities of the Rehab Center.

Mr. Nusbaum indicated that they are, but not if the Rehab Center is fully occupied -- 250 patients. He also indicated that they are currently

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Mr. McCracken replied that the work program was augmented \$7,130,383 dollars since the original work program was presented. He said that the new total is \$22,456,225 dollars.

Mr. McCracken indicated that even though the total agency travel request is increasing by \$10,000 to \$15,000 dollars this year, the agency as a whole will be doing less traveling because this increase is only to cover increased costs in airfare and the like.

Senator Gibson asked how many unfilled positions they currently have.

Mr. McCracken indicated that they currently have 100 positions unfilled, but that this figure covers the whole agency. He said that this includes the seasonal hire area, which is a provision whereby they can hire additional staff if the demand justifies such. He said that this is determined by the demands of the unemployment market, and this is a contingency provision. He added that this accounts for approximately \$46,000 dollars in salaries.

Senator Gibson asked what the current unemployment rate is.

Mr. McCracken replied that it is 7 percent statewide; that it had increased three-tenths of a percent last month in Las Vegas, which brought the unemployment rate there up to 8.4 percent.

Senator Gibson asked how much money was in the trust fund currently.

Mr. McCracken replied that as of November, there was \$135 million dollars in the trust fund, and they need to maintain a balance of \$12 million dollars in that account in order for the ESD to remain solvent.

Senator Gibson asked what the annual income for the FSD was last year.

Mr. McCracken said that there was \$80 million dollars in benefits paid out and \$51 million dollars earned.

Senator Gibson asked if the ESD owes any money to the Federal Government.

Mr. McCracken replied that they do not owe any monies to the Federal Government.

Senator Gibson asked who is in charge of investing the monies in the Trust Fund.

Mr. McCracken replied that that is the responsibility of the State Treasurer.

Senator Jacobsen asked Mr. McCracken to give the Committee a general picture of how federal cutbacks are going to affect the ESD.

Mr. McCracken replied that the preliminary data he has received indicates that there will be considerable cutbacks made, but where and how much, he is not sure.

Mr. McCracken went on to explain that they have a cost model that they follow which determines when to augment their staff. He said that the offices are allowed so many minutes per transaction, and if this allotted time is exceeded, then they are entitled to augment their staff. He also said that the ESD is not in trouble with the Federal Government as far as owing them any money because in 1975 there was a reduction in the cost of the program and an increase in the employer's tax rate which provided them with more money.

Mr. McCracken also addressed on of the biggest contributions to unemployment was the fact that employers are not utilizing the employment services offered by the ESD.

Senator Wilson asked if the Federal Government has offered any criteria to follow in making the determination of where to cut the budget in order to comply with federal guidelines.

Mr. McCracken replied that they will have to lay people off and close down offices; he added that they are anticipating a cutback in services.

Senator Gibson asked what triggers the extended unemployment benefits.

Mr. McCracken replied that there are two triggers currently which can implement this triggering effect. He said that a 4.5 national unemployment rate will trigger unemployment extended benefits and a 4.0 statewide unemployment rate in Nevada plus 120 percent of the last running average of about two years will trigger these benefits statewide. He indicated that they are expecting that the national trigger will be eliminated, which would reduce the volume of extended benefits paid in Nevada. He said that they are projecting that the State trigger will go into effect in May.

Senator Glaser asked what had contributed most to the unemployment problem in Nevada, and how much did lack of education and training enter into the picture.

Mr. McCracken replied that in the rural areas, the farm managers are having trouble finding stoop labor to do the manual work. He also indicated that there is a problem finding individuals with the proper education and training background who can assume more highly skilled jobs. He said that part of the problem is that many jobs are offering only minimum wage salaries, and those individuals moving into Nevada are required to take a substantial cut in salary when they go on the unemployment rolls in order to insure that they will find employment more quickly.

OASI ADMINISTRATION

Mr. McCracken told the Committee that 2,800 people are not eligible for the State Retirement Progra, and this organization covers their retirement income.

CONSORTIUM CONTRACT

Mr. McCracken told the Committee that there has been a reduction of 27 positions this year, and they are anticipating that there will be further cutbacks made or even a possible deletion of the whole program.

Senator Echols asked why in the 1979-80-81 budget there was nothing shown for this budget.

Mr. McCracken replied that previously this budget had been included as part of the total ESD budget, but it has been separated out into a separate budget category.

WASHOE COUNTY CETA

Mr. McCracken indicated that the CETA contract had been much reduced in scope from its origination. He said that this contract is to function as a placement service, and it is funded on a year-to-year basis.

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CETA BALANCE OF STATE

He said that this is part of the Public Service Employees Association, and that they have shown this budget as being phased out. He said that the reduction in the budget has been by at least one-half.

Senator Glaser asked if participants in the CETA Program will be receiving unemployment benefits if this program is totally phased out.

Mr. McCracken replied that they will, but that the State is reimbursed for the payment of unemployment benefits to these individuals.

Senator McCorkle said that he objects highly to the idea of paying CETA workers unemployment benefits. He said that he feels this is like rewarding CETA recipients for not pursuing employment.

WORK INCENTIVE PROGRAM

Mr. McCracken told the Committee that instead of the \$264,000 dollars that he had originally requested in federal assistance, the cutbacks have reduced this amount to \$99,000 dollars in the first year of the biennium and \$82,500 dollars in the second year of the biennium. He said that this program pays benefits to participants in the WIN Program, who are employers, to employ CETA trainees.

EMPLOYMENT SECURITY FUND

Mr. McCracken indicated that they are not sure of the contract status of this fund. He indicated that the money in this fund may very well have to be utilized to extricate the ESD from their lease commitments should they have to close offices.

Mr. McCracken said, in summation, that the ESD believes that the federal forced ruling was not intended by Congress, and he further explained the problems involved with this ruling. He said that this is currently being tried before the Supreme Court. He said that if the State is found to be out of conformity on the ruling, the risk to the State could amount to \$80 million dollars. He indicated that the State of Nevada has been joined in this lawsuit by the State of Alabama.

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ASSEMBLY BILL 294

This bill authorizes the Employment Security Department to expend certain federal money to improve property in the City of Reno for use of the department.

SENATOR JACOBSEN MOVED THAT THE BILL BE APPROVED.

SENATOR MCCORKLE SECONDED THE MOTION.

THE MOTION WAS CARRIED UNANIMOUSLY.

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There being no further business, the meeting was adjourned at 10:42 a.m.

Senate
Committee on Finance
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Respectfully submitted by:


Tracy L. Dukic, Secretary

APPROVED BY:


Senator Floyd R. Lamb, Chairman

DATED: Apr 22

SENATE AGENDA

COMMITTEE MEETINGS

Committee on FINANCE, Room 231

Day (SEE BELOW), Date (SEE BELOW), Time 8:00 a.m.

MONDAY, MARCH 30, 1981

1. Mining Cooperative Fund (Pg. 1022 - John Schilling)
2. Nevada Industrial Commission (Pg. 970 - Joe Nusbaum)
 - a. Nevada Industrial Commission (Pg. 980)
3. Unemployment Compensation Administration (Pg. 993 - Larry McCracken)
 - a. OASI Administration (Pg. 1005)
 - b. Consortium Contract (Pg. 1006)
 - c. Washoe County CETA (Pg. 1008)
 - d. CETA Balance of State (Pg. 1010)
 - e. Work Incentive (Pg. 1013)
 - f. Employment Security Fund (Pg. 1014)

TUESDAY, MARCH 31, 1981

1. Taxi Cab Authority (Pg. 767 - Jim Avance)
2. MX Planning (Pg. 1020 - Steve Bradhurst)
 - S. B. NO. 229 - Makes appropriation to revolving account for certain expenses relating to MX missile project.

WEDNESDAY, APRIL 1, 1981

1. Probation Subsidies (Pg. 346)
2. High School Rodeo Association (Pg. 1019)
3. Junior Livestock Show Board (Pg. 1024)
4. Equal Rights Commission (Pg. 150 - Dr. Lee Rayford)
 - a. Rapid Charge Process (Pg. 153)
 - b. Federal Grant (Pg. 154)
5. Office of the Controller (Pg. 50 - Wilson McGowan)

THURSDAY, APRIL 2, 1981

1. Mental Health and Mental Retardation Subcommittee Meeting

FRIDAY, APRIL 3, 1981

1. Mental Health and Mental Retardation Subcommittee Meeting

ATTENDANCE ROSTER FORM

COMMITTEE MEETINGS

SENATE COMMITTEE ON FINANCE

DATE: MARCH 30, 1981

PLEASE PRINT	PLEASE PRINT	PLEASE PRINT	PLEASE PRINT
NAME	ORGANIZATION & ADDRESS	TELEPHONE	
KEITH PAIOKE	NEV. BUR. MINES/GEOL. RENO	784-6691	
Dwight Simpson	Judicial Discipline Commission	882-3535	
Walter B. Smith	2280 Gregg ST. CC	882-7666	
Gay E. Newman	Nev. Industrial Council	895-5294	
DB. Clark	NIC	5280	
Tom Farrer	NIC	5280	
R. Lundstrom	NIC	5253	
F.E. DuBois	NIC	5243	
Bob Gibb	NIC	5377	

NIC BUDGET PRESENTATION

BY JOE E. NUSBAUM, CHAIRMAN

Mr. Chairman, if I may, I would like to spend a few minutes talking about the current status of NIC and its programs and my assessment of some of the problems.

After I was appointed chairman one year ago, I soon became aware that NIC had serious problems with claimants and policyholders and consequently with the Legislature. I was puzzled by this because in many respects, Nevada's workers' compensation program and safety program appeared to be advanced in comparison with many other states.

ASSESSMENT OF PROGRAMS

The State Insurance Fund is actuarially sound with money reserved sufficient, in the judgment of professional actuaries, to cover every liability of the Fund. Nevada lawmakers can be justifiably proud of this somewhat rare condition.

By any measure, Nevada's benefits are good and Nevada's premiums and administrative costs are low. This is a record that many states look to with envy as they see their premium rates increasing year after year and the cost of administration, including heavy cost of litigation, spiraling upward. Nevada has not had an overall increase for four years.

The statutory policies governing workers' compensation and safety are in a number of ways ahead of many states. The Nevada workers' compensation system with its lifetime reopening and rehabilitation rights emphasizes incentives for injured workers to return to work. As the Advisory Board of Review has commented, Nevada appears to be in the forefront with its rehabilitation efforts. Within the last year NIC has split out its safety consulting services from its safety regulation functions and has been building a professional staff to provide loss control advice to policyholders.

Nevertheless there were and are problems and I was determined to get on top of them. Fortunately, we had two special avenues for dealing with these problems, both of which were provided by the 1979 Legislature.

REVIEWS OF NIC

One was the compliance audit of NIC. I saw this as an opportunity to get the benefit of a professional staff independent of NIC reviewing in detail its operations and reporting on the deficiencies. We were not disappointed in the report of the Legislative Auditor. The work was thoroughly and well done. We agreed with practically every recommendation made by the Legislative Auditor, have already corrected a number of the deficiencies and are working on the others.

The other opportunity was the Advisory Board of Review for NIC created by the 1979 Legislature. I was determined to work closely with this citizen board in carrying out its legislative mandate to review the

organization and operation of NIC and to make recommendations to the Legislature, the Governor and NIC. Jointly we prepared a list of studies of what we saw as some major problem areas and proceeded to tackle them one by one. As with the Legislative Auditor's report, the Advisory Board issued a thorough and thoughtful report with many recommendations for improvements in the organization, operation and statutory policy for workers' compensation and safety.

Perhaps the single most important recommendation of the Advisory Board is for a major reorganization of NIC's present functions. Due mainly to the introduction of self-insurance and the division of the regulation of workers' compensation between two state agencies, NIC and the Insurance Commissioner, the Advisory Board has recommended a splitting of NIC's insurance functions and its regulatory functions and restoring state regulation to one agency. This recommendation which is now being drafted in bill form provides for a successor to NIC's insurance operation called the State Industrial Insurance System, a public corporation solely providing workers' compensation insurance, consulting safety services and rehabilitation services. The System would be run by a board of directors and a general manager.

The regulatory functions of NIC, under an interagency plan approved by the Governor, would be combined with the functions of the Labor Commissioner into a new Department of Industrial Relations. This department would be responsible for workers' compensation compliance, occupational safety and health, mine inspection and employment standards. The

workers' compensation compliance division would be the regulatory agency for all insurers, including the State Industrial Insurance System and self-insured employers. Certification of self-insurers and rate review would remain with the Commissioner of Insurance.

The reports of the Legislative Auditor and the Advisory Board of Review are proof that there are problems in administration. However, other than the organizational problem, none of them appear to be basic deficiencies in policy, financing or administration. They all appear to be subject to relatively easy changes in internal organization and administrative practices.

What I have found somewhat puzzling is that NIC was well aware of a number of its deficiencies. When I asked why we were not doing those things we knew we should be doing to provide better services for policyholders and claimants, I was told that we never seem to get caught up on the basic processing of claims and policies.

WORKLOAD INCREASES

A look at the work load increases over the past four years shows dramatically why NIC has been playing a catch up game. From fiscal year 1976 to fiscal year 1980, the total number of claims increased from 42,600 to 74,400 per year an increase of 75% in four years. In claims involving disablement, that is claims involving compensation payments as well as medical payments, the increase was 74%. In total claims disbursements, that is the number of compensation payments, the increase was

76%. In the number of individual medical payments, the increase was 97%. These various measures of claims load are the best indicators of the total volume of work of NIC and they indicate at least a 75% increase in the workload in a four-year period. On the employer accounts side, the number of active accounts increased from about 16,000 to almost 27,000, a 68% increase.

1. Number of Claims

<u>FY</u>	<u>Number of Claims</u>	<u>Annual Increase</u>	<u>Claims Involving Disablement</u>	<u>Annual Increase</u>
76	75% { 42,600 45,900 57,200 67,100 74,400	8% 25% 17% 11%	74% { 8,000 10,300 12,400 14,600 15,300	17%
77				20%
78				18%
79				5%
80				

2. Number of Payments

<u>FY</u>	<u>Claim Disbursements</u>	<u>Annual Increase</u>	<u>Medical Payments</u>	<u>Annual Increase</u>
76	76% { 61,980 65,019 69,030 70,860 79,125	3% 28% 20% 11%	97% { 149,347 173,340 191,643 254,457 294,066	16%
77				11%
78				33%
79				16%
80				

3. Employer Accounts

<u>FY</u>	<u>Number of Active Accounts</u>	<u>Annual Increase</u>
76	68% {	16,048
77		8%
78		27%
79		15%
80		3%
		26,921

I believe that many of the problems noted by the Legislature in 1979, by the Legislative Auditor in 1980 and by the public hearings we conducted with claimants and policyholders in 1980 were caused by this tremendous increase in work load and the inability of NIC to foresee these increases and to staff to accommodate them. As an indication of the way NIC fell behind, the average number of filled positions in NIC's administrative budget increased from 325 positions in fiscal years 1976 to 471 positions in fiscal year 1980, an increase of 45%. Throughout this period, NIC was playing catch up.

4. Number of Positions

<u>FY</u>	<u>Budgeted Positions</u>	<u>Positions Filled (average)</u>	
76		45% {	
77	372		325
78	499		343
79	504		396
80	539		439
		471	

NIC's total administrative budget including the safety functions of Occupational Safety and Health and Mine Inspection, in my judgment should be at least 12% of the premiums paid in order to do an adequate job of providing services to claimants and policyholders. In fact, by this measure, the administrative budget dropped from 11.9% in 1976 to 9.6% in 1978 and last year was at 10.1%. The budgeted level for the current year is 12%.

5. Total Administrative Expense

<u>FY</u>	<u>State Insurance Fund Administrative Expense Paid/Premium</u>	
76	6,385/ 53,627	= 11.9%
77	7,634/ 72,468	= 10.5%
78	8,859/ 92,492	= 9.6%
79	11,193/108,374	= 10.3%
80	12,450/122,967	= 10.1%

Another means of testing NIC's administrative expenses is to use the insurance industry method of computing administrative overhead expense as a percentage of premiums. Under this method, the safety enforcement costs and the direct cost of administering claims are excluded. By that measure NIC's costs have been around 4% per year. During the same period, using the same measure, the average administrative cost of stock companies nationwide has been around 18% and of mutual companies around 12% to 13%. While we can expect that a state fund's cost will be less than that of private carriers', a three or four-to-one relationship is, in my judgment, abnormally low.

6. NIC Cost of Administrative Overhead Compared to Private Insurance Carriers

<u>FY</u>	<u>Cost of Administering Claims Paid During Fiscal Year</u>	<u>NIC Expense Ratio*</u>	<u>Stock Co. Exp. Ratio to Written*</u>	<u>Mutual Co. Exp. Ratio to Written**</u>
76	2,237/ 53,626	= 4.2%	18.7%	14.2%
77	2,605/ 72,468	= 3.6%	18.0%	12.5%
78	3,543/ 92,492	= 3.8%	17.9%	11.9%
79	4,445/108,374	= 4.1%	17.8%	11.8%
80	5,490/122,987	= 4.5%		

*These costs for NIC are equivalent to private industry's Expense Ratios. They represent only the expense associated with policy service.

**Percentages shown are for calendar years not fiscal years.

Source: Best's

Fiscal year 1981, the current year, should have been NIC's catch-up year. The claims volume has stabilized and, in fact, has fallen some due to the business recession and the introduction of self-insurance and NIC budgeted adequate staff and other expenses to properly handle our work. For a number of reasons, however, we have not in fact caught up. Some of these reasons are:

1. An outgoing chairman who did not want to commit the agency to major staff additions during his final months and an incoming chairman who wished to maintain the status quo until he had an opportunity to assess the needs of the agency.

2. Major studies and analyses by the Advisory Board of Review and the Legislative Auditor which could impact on the budget and the staffing patterns.

3. An executive policy that restricted the filling of positions, particularly new positions.

The result has been that NIC has continued to have a large number of vacant positions in its budgeted staff level. However, if we are to carry out the recommendations of the Legislative Auditor and the Advisory Board and are to provide a satisfactory level of service for claimants and policyholders, we must proceed with the filling of most of these positions.

The one remaining uncertainty is the reorganization plan which will involve some major changes in staffing patterns and classifications, though not changes in the total number of positions.

BUDGET ASSUMPTIONS AND DIRECTIONS

I should note certain assumptions that were made in preparing the budget. We assumed inflation of 15% for the current fiscal year over FY 1980 and 10% per year for the next two years. In terms of employment in Nevada and its impact on our claims load, we assumed the recession would follow the pattern of the 1974-1975 recession with recovery beginning in 1981-82. We assumed self-insurance would have a 15% impact on our claims load at the cumulative rate of 5% per year. It now looks

like the effect of self-insurance will be greater than 5% at least in the first year. In total we estimated the claims load would drop slightly below 70,000 this year and increase modestly to about 71,000 by the second year of the next biennium due to normal growth offsetting self-insurance losses.

We did not include MX in any of our assumptions.

The major emphasis in the budget is the improvement of services to claimants and policyholders to overcome the deficiencies that developed in the 1976-1980 period.

Claims Management. A major system change in the processing of claims is underway. In the past each claim had a manual file. Only one person at a time could work on the file; in case of the loss of a document or misfiling, there were no duplicates of many of the documents; all filing and many computations had to be done manually; and the volume of the paper claims files created a serious storage problem. The new system using data processing and microfiche is estimated to increase the efficiency of processing by 20% which will result in more timely and accurate claims information. A slight reduction in claims staff is projected but increases are reflected in such areas as leased equipment for data processing and leased telephone lines.

Employer Accounts Services. A marketing staff of six positions is currently being filled to provide information to policyholders in such

areas as rates, reserves, insurance options and risk classifications and to provide an accessible contact for major employers who have problems with NIC.

Safety Services. A Loss Control staff separate from the safety enforcement staff that administers the OSHA program, has been created and enlarged to assist employers in analyzing and improving their safety programs.

Informational Services. All studies of NIC have commented on the inadequacies of NIC in keeping its claimant and policyholder clients informed on their obligations and benefits and the procedures and services available. A public information staff of four has been budgeted this year with an operational budget increase of \$50,000 to produce informational materials and to plan and participate in informational meetings.

Management Services. An actuary and three positions necessary to carry out the internal reorganization of the agency - all recommended by the Advisory Board - are included in the budget.

The budget we adopted last summer for the current fiscal year provides for a total spending level for administration of \$15.7 million and a staffing level of 577.75 positions. Because of the large number of vacancies, particularly in the first half of this year when we were awaiting the reports of the Legislative Auditor and the Advisory Board

and because of the Governor's policy on filling of vacancies, our spending in the current year will fall \$1 million to \$1.5 million below the budgeted level. The spending level proposed for next year is \$18.7 million covering 566.25 positions. This dollar figure includes approximately \$2 million for the Governor's recommended 14% salary adjustment. The spending level proposed for the second year of the biennium is approximately \$20.2 million, covering 566.50 positions. This includes approximately \$2.7 million for salary adjustments. Though the number of positions drops in the first year of the biennium and stays stable in the second, these total positions for the two years of the next biennium represent some further reductions in the existing positions and some new positions.

In a very broad way the Administrative Budget can be summarized as follows:

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Positions	577.75	566.25	566.50
1980-81 budget level	\$15.7 million	\$15.7 million	\$15.7 million
Merit salary & fringe benefits		0.3	0.6
Salary adjustments (14% & 9%)		2.0	2.7
Travel increases		0.1	0.1
Operating expenses increases		0.4	0.8
Depreciation, transfers, etc.		<u>0.2</u>	<u>0.3</u>
Totals	\$15.7	\$18.7	\$20.2

REHABILITATION CENTER

Let me briefly give some of the background of the Rehabilitation Center and my assessment of the current situation, based in part on the work done by the Advisory Board of Review and to a lesser extent by the Legislative Auditor.

PLANNING OF THE CENTER

The initiative for establishing a Rehabilitation Center began with a legislative subcommittee study report of December 1972, commonly known as the "Dodge Report." This report referenced a British Columbia rehabilitation facility record of 76% of injured workers returned to meaningful employment.

The plan that evolved was in two parts; a medical and therapy program and a vocational rehabilitation program. The injured worker was to be referred, as soon after the accident as the treating physician determined that therapy was necessary, to an intensive medical-therapeutic regime to strengthen the individual for an early return to productive employment. The treatment was to be handled on a team basis with a physiatrist as team leader assisted by physical, remedial, occupational and industrial therapists and a psychologist. Therapy would initially be for short periods of time and gradually increased until the patient had the physical endurance to do a full day's work without debilitating problems.

The second part of the plan involved vocational rehabilitation and included matching physical capacity with the physical needs of various vocations and rehabilitation to train the person to perform certain motions required in the vocation selected. What I am trying to say is that we do not, for example, have an auto mechanic training program but we may train a person to use his hands and arms in a way that he can return to an auto mechanic job or be trained for such a job.

The planning of the physical facilities and of the medical, therapeutic and vocational programs assumed a maximum of 250 patients per day within five years from the opening of the facility. The Advisory Board which was acutely aware of criticisms of the Center requested a staff study on the utilization of the Center. The study noted three measures of utilization.

UTILIZATION OF THE CENTER

One measure is the physical facilities, that is the buildings and equipment. The present medical and therapy building and the vocational rehabilitation building, with present or budgeted equipment, has a capacity of up to 250 patients per day.

The second measure of capacity is the medical and therapy staff. The study indicated that the present staff (there are some chronic problems of recruiting certain staff) is utilized from 80% to 90% of capacity. Thus, the first limitation on full utilization of the Center may be a limitation on medical and therapy staff. However, if all

positions budgeted for the next biennium can be filled, that staffing level should accommodate a case load near the physical capacity of the Center.

The third standard for measuring utilization is the number of qualified persons in need of the services of the Center. Presently, by law, only workers' compensation claimants and patients of the Vocational Rehabilitation Division and other public agencies that enter into agreements with NIC may use the facility. The present usage of the Center is almost entirely by workers' compensation claimants within commuting distance of the Center. The growth in that number is not likely to be dramatic but will depend upon the normal increase in the number of workers' compensation claims in the area and the reputation for success of the Center with the Las Vegas treating physicians who control the treatment of their patients.

Under present law the major source for additional patients is workers' compensation claimants from beyond commuting distance from the Center, that is primarily from northern Nevada. There appear to be two major obstacles in increasing these numbers. One is the traditional practice of northern Nevada treating physicians to refer their patients who need specialized rehabilitation services to facilities in northern California or to local clinics. Related to that, the Rehabilitation Center has not established the same level of confidence with the northern Nevada physicians as it has with the Las Vegas area medical community.

The second obstacle is the lack of housing at the Center for patients from beyond commuting distance. Presently patients are put up in motels with no after-hour and weekend supervision, care and rehabilitation services. Some claimants, treating physicians and the NIC recognize this as not a good arrangement for many disabled persons.

The Advisory Board considered three alternatives which were somewhat similar to alternatives also suggested by the Legislative Auditor. Essentially they were:

1. A more concentrated effort under present law to increase the number of workers' compensation claimants at the Center recognizing that in the long run the Center will no doubt be fully utilized by such persons.
2. In addition to number 1, seek legislation to allow the admission of other traumatic injury patients but with priority for patients under Nevada's workers' compensation law.
3. The same as number 2 but to lease the facility to a professional medical facility administrator mainly to introduce the incentive of profit and eliminate the disincentive of governmental control from administration.

ADVISORY BOARD RECOMMENDATIONS

The conclusion of the Advisory Board was the following recommendation. "Due to the concern that the unique services of the Rehabilitation

Center are denied to persons with traumatic injuries from nonindustrial accidents and the concern that some potential income to offset cost now cannot be realized, the Advisory Board unanimously recommends legislation to allow the admission of other traumatically injured patients but with priority for those patients under Nevada's worker compensation law."

The Advisory Board also recommended; "The Advisory Board unanimously recommends that the NIC make a greater effort to inform and work with the medical and rehabilitation community, particularly in Northern Nevada regarding the services of the Center, that NIC seek the means to resolve the present difficulties in recruiting medical and therapy staff, and that NIC assess the means of resolving the adverse housing arrangements with patients beyond commuting distance."

The Commission concurs in the Advisory Board's two recommendations. We are offering legislation, AB 115, that will open the Center up to other persons with traumatic injuries but with the proviso that priority must be for workers' compensation claimants. In the reorganization bill we are dealing with the recruiting problems for medical and therapy staff. A decision has not been made yet on the housing problem but it is likely that we will be requesting legislative authority in the capital improvements program to proceed with the planning of a housing unit at the Center.

BUDGET ASSUMPTIONS AND DIRECTIONS

The budget assumption made last summer was that the Center would be close to capacity with workers' compensation patients by the second year

of the biennium. Frankly, we believe that assumption may have been too optimistic though we have no doubt we will reach capacity if AB 115 passes so that nonindustrial accident victims can be admitted. Recruiting medical and therapy staff would be the only remaining uncertainty.

The following table summarizes certain important relationships in budget planning for the Center. (It should be noted that these figures are of the budget as submitted, that is, prior to the Governor's insertion of the salary adjustment amounts.) Revenues are the service charges made against claims for treatment of claimants.

	<u>1980-81</u> <u>Budgeted</u>	<u>1981-82</u> <u>Estimated</u>	<u>1982-83</u> <u>Estimated</u>
Expenditures	3,852,370	4,564,553	5,062,545
Revenues from fees	1,925,594	2,738,732	3,796,908
* Fees as % of expenditures	50%	60%	75%

While the NIC budget submittal established a relationship between revenues and expenditures prior to the salary adjustments recommended by the Governor, we are likely to increase the rates for services at the Center sufficient to maintain the 50%, 60% and 75% relationship of fees to expenditures after whatever salary increase is authorized by the Legislature.

NIC is controlling the budget both on the total expenditures and on the targeted percentage of revenues to offset those expenditures. In

other words if revenues are not adequate to recover the targeted percentage of budgeted expenditures, expenditures will be held down to stay within that targeted figure.

Let me summarize the Rehabilitation Center increases in the same broad fashion I did for the administrative budget.

	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Positions	152	174	184
1980-81 Budget level	\$ 3.9 million	\$ 3.9 million	\$ 3.9 million
Salary adjustments (14% & 9%)		.5	.7
Merit increase & fringe benefits		.2	.4
New positions		.3	.4
Operating expenses		<u>.2</u>	<u>.4</u>
Total	\$ 3.9	\$ 5.1	\$ 5.8
Average daily patients	126	210	242

Other than salary adjustments, merit increases and fringe benefits, the budgeted increases are due to inflationary price increases (21% over two years) and the marginal cost of additional patients. With a patient load increase of 116 (92%) over two years, a staff increase of 32 (21%) is budgeted. Of these 32 positions, 20 are direct treatment positions (16 therapists, 1 nurse, 2 psychologists, 1 evaluator), 4 are in support of treatment personnel (2 medical office assistants and 2 administrative aids) and 8 are auxiliary (1 information officer, 1 job placement specialist, 1 mechanic, 2 account clerks, 1 administrative aid and 2 food service workers). Operating costs related to patient increases are in such areas as contract services (physiatrist contracts), medical and dental supplies and food.

NEVADA INDUSTRIAL COMMISSION
COMBINED FUND*

RATE OF RETURN SUMMARY

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	<u>1979</u>	<u>1980</u>	<u>Since (B)</u> <u>3/31/80</u>
<u>Total Assets Results and Comparisons</u>			
Total Assets	5.90%	8.79	17.85
Total Assets, Excluding Cash and Equivalents	4.35	7.26	19.80
Target Allocation Index Return**	5.75	9.47	18.00
Target Allocation Portfolio Return***	5.63	6.48	15.41
<u>Equity Results and Comparisons</u>			
Equity Portfolio	18.70	31.08 (A)	38.18
S&P 500	18.68	32.53	38.05
<u>Fixed Income Results and Comparisons</u>			
Fixed Income Portfolio****	2.46	1.43	10.72
Straight Bonds Only	-1.24	-2.90	10.96
LBKL Govt/Corp Bond Index (Less BAA's)	2.65	3.97	13.06
Salomon Brothers Bond Index	-4.19	-2.66	12.57
<u>Cash and Equivalents</u>			
Cash and Equivalents	10.12	16.03	12.53
90-day U.S. Treasury Bills	10.08	12.46	9.02
Consumer Price Index	13.29	12.50	7.85

*Includes the Internal Account which is invested daily in short-term instruments.

**TAIR = 20% of S&P 500 + 80% of Lehman Bros. Kuhn Loeb Government/Corporate Bond Index less BAA's.

***TAPR = 20% of Equity Portfolio Return + 80% of Fixed Income Portfolio Return.

****Includes bonds, cash equivalents for Scudder and mortgages.

(A) Includes the Small Equity Position still remaining in the Scudder Portfolio (0.05% and 0.06% of the Total Equity Market Value respectively).

(B) New Guidelines established - Scudder became a sole fixed income manager. TCW and Baimco were retained as Equity and balanced managers respectively.

**Nevada Employment Security Department
Legislative Budget Proposal**

Presented to the

Senate Finance

March 30, 1981

By

**Lawrence O. McCracken
Executive Director**

**Steven J. Watson
Chief of Financial Management**

**Nevada Employment Security Department
Proposed FY 1982 Legislative Budgets**

	Payroll	Out-of-Travel	In-State Travel	Operating	Capital Outlay	Training	Program	Total	Positions
Unemployment Compensation Administration Fund	14,310,608.	109,505.	305,403.	3,665,131.	202,104.	107,547.	-0-	18,700,298.	573.50
OASI Administration	9,331.	800.	280.	804.	-0-	-0-	-0-	11,215.	-0-
Las Vegas/Clark Consortia Contract	674,171.	-0-	26,800.	42,237.	-0-	-0-	204,398.	947,606.	27.00
Washoe CETA Contract	50,904.	-0-	295.	287.	-0-	-0-	57,675.	109,161.	2.00
CETA Balance of State Prime Sponsor	525,173.	7,642.	29,145.	219,903.	-0-	6,000.	4,985,613.	5,773,476.	23.00
WIN Client Payroll	-0-	-0-	-0-	-0-	-0-	-0-	99,000.	99,000.	-0-
Total	15,570,187.	117,947.	361,923.	3,928,362.	202,104.	113,547.	5,346,686.	25,640,756.	625.50

**Nevada Employment Security Department
Major Staffing Allocations
State Budget through FY 1983**

	Positions	Ratio
Unemployment Compensation Administration	395.66	68%
Seasonal Hires	90.05	16%
Other Programs	61.15	11%
Contracts with ESD	20.64	4%
Supplemental Federal Programs	6.00	1%
Total	573.50	91%
CETA Balance of State	23.00	4%
CETA Las Vegas Contract	27.00	5%
CETA Washoe Contract	2.00	
Department Total	625.50	

**Nevada Employment Security Department
Position Reduction Analysis
From Fiscal Year 1980**

	Position Change	Percentage of Change
Unemployment Compensation Administration	- 3.64	- 1%
Seasonal Hours	- 61.40	- 30%
Other Programs	+ 4.20	+ 7%
Contracts with ESD	+ 4.39	+ 27%
Supplemental Federal Programs	- 4.00	- 40%
Sub-Total	- 60.45	9%
CETA Balance of State	- 5.00	- 18%
CETA Las Vegas Contract	- 10.50	- 28%
CETA Washoe Contract	-0-	-0-
Department Total	- 75.95	- 10%

**Nevada Employment Security Department
Analysis of Base Grants**

	Positions	Position Change	Percentage of Change
FY 1975	392.00		
FY 1976	406.13	+ 14.13	+ 4%
FY 1977	391.30	- 14.83	- 4%
FY 1978	402.80	+ 11.50	+ 3%
FY 1979	403.80	+ 1.00	-
FY 1980	399.30	- 4.50	- 1%
FY 1981	395.66	- 3.64	- 1%
 From FY 1975		+ 3.66	+ 1%

MEMORANDUM

STATE OF NEVADA

Senator Floyd R. Lamb, EMPLOYMENT SECURITY DEPARTMENT
Chairman, and Members, Senate

TO Finance Committee

DATE March 30, 1981

FROM Larry McCracken, Executive Director

SUBJECT A.B. 294

This Bill refers to Federal Law Section 903 of the Social Security Act, as amended, which relates to funds distributed to states from the Federal Government. These funds are from the Federal Unemployment Tax Fund, that exceeded federal statutory limits in 1956, 1957 and 1958, paid into by employers from every state to cover administration costs of the Employment Service and Unemployment Insurance operations. Because Nevada is one of the nation's largest states with one of the smallest population figures, the administrative cost of operations in Nevada has consistently exceeded that which Nevada employers have paid to the Federal Unemployment Tax Fund. Any additional funds distributed to Nevada by the Federal Government from the Unemployment Tax Fund is further evidence of Nevada receiving more than it has paid into the Fund. This Bill asks for approval to expend the remaining balance of Reed Act funds not spent under prior appropriations. This request is for \$63,384.29 and will be used to remodel the Reno Local Office at 70 West Taylor Street, so that facility can be used by activities that are now causing the Department to pay rents. If excess administrative granted funds become available, they may be used to reimburse this Reed Act account.

rf

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**NEVADA INDUSTRIAL COMMISSION
REHABILITATION CENTER**

MARCH 30, 1981

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INSURANCE

This account includes building insurance, malpractice insurance for three (3) physiatrists plus an anticipated hiring of a fourth physiatrist, and malpractice insurance for six (6) nurses. The increased costs represent an overall economic increase, and an increase in malpractice insurance due to an anticipated average annual daily patient load increase of 303% for Fiscal Years 1981 through 1983.

A breakdown of the Rehabilitation Center Insurance costs for fiscal year 1980 is as follows:

1. Nevada Medical Liability Insurance Association (Malpractice Insurance)	\$43,428.00
2. American Nursing Association (Malpractice Insurance)	116.00
3. The Hartford Insurance Co. (Automobile Insurance)	1,025.00
4. The Hartford Insurance Co. (General Liability, Employee Bond/Crime Coverage)	9,721.00
5. Western Surety Co. (Notary Bond)	<u>20.00</u>
Total	\$54,310.00

INSURANCE - TOTAL

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$54,310	\$82,570	\$90,827	\$99,910

Non-assessable endorsement - a one time charge on medical malpractice insurance.

Medical malpractice was difficult to obtain in Nevada at a reasonable cost in FY1979. Therefore, the Nevada Medical Liability Insurance Association (NMLIA) was formed to provide medical malpractice at a reasonable cost in Nevada.

Most insurance companies have a large number of people paying insurance premiums from which they pay overhead and claims costs made by a small number of people. Malpractice insurance is a small group. When NMLIA formed, they estimated the amount of money they would probably need to operate, pay claims and produce a profit. NMLIA could reassess at the end of a year if their expenses were greater than their estimates. NIC bought a non-assessable clause. This means, as long as NIC has a policy with NMLIA, NIC cannot be assessed for more money at the end of a year.

One time non-assessable cost (experience rating):

Rehabilitation Center	\$31,903
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**CONTRACT SERVICES-
SUMMARY**

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
<u>Auditors</u>	\$ --	\$ 5,000	\$ 5,000	\$ 5,000
<u>Consultants-Outside</u>	\$ 73	\$ 19,488	\$ 12,959	\$ 2,955
<u>Patient-followup</u>	\$217,788	\$257,940	\$342,577	\$399,000
<u>Legal</u>	\$ --	\$ 2,000	\$ 2,000	\$ 2,000
<u>Training</u>	\$ 2,590	\$ 8,000	\$ 8,800	\$ 9,680
<u>Security</u>	\$ 61,410	\$ 85,946	\$103,518	\$125,670
CONTRACT SERVICES - SUMMARY TOTAL	\$281,861	\$378,374	\$474,854	\$544,305

CONTRACT SERVICES

This category contains six (6) subaccounts: Auditors; Consultants-Outside; Patient Followup; Legal; Training; and Security.

981 Auditors

This is a new account to provide funds to cover the necessity for spot external audits as routinely occur in a good business venture.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$ --	\$5,000	\$5,000	\$5,000

982 Consultants-Outside

This account is to provide, from time-to-time, for consultants to advise on any problem areas which routinely occur in a new Rehabilitation Center startup; such as the Nevada Industrial Commission Rehabilitation Center. Past consultants used in evaluations of productivity, policies and procedures are:

1. Carroll Brodsky, M.D.
2. R.A. Martin, M.D.
3. C.L. Roberts, M.D.
4. W.E. Fordyce, Ph.D.

Method of payment has been fee for service plus travel.

During Fiscal Year 1980 only one (1) minor consultation occurred. It is anticipated that an increase in patient load could necessitate some increase in the use of consultants-outside.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$73	\$19,488	\$12,959	\$2,955

982 CONSULTANTS - OUTSIDE

Dr. Fordyce - 2 trips x 2 days each @ \$1,200 day = \$ 4,800

Dr. Brodsky - 4 trips x 2 days each @ \$1,000 day = 8,000

Center Consultants

Dr. Martin
Dr. Roberts
Dr. Trigiano

6,688

Fiscal Year 1981 Total \$19,488

CONTRACT SERVICES (cont.)

983 Patient Followup

This account is to provide for the medical services of the four (4) physiatrists presently following the treatment regime of Nevada Industrial Commission patients at the NIC Rehabilitation Center. Additionally, the account allows funds for an increase of one (1) physiatrist and the expected attendant increase in patient load.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$217,788	\$257,940	\$342,577	\$399,000

984 Legal

This new account is included to handle any legal matters of a minor nature which might, from time-to-time, need to be resolved for the Rehabilitation Center.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$ --	\$2,000	\$2,000	\$2,000

985 Training

Group training is one of the newly initiated policies of the Nevada Industrial Commission aimed at greater comprehensive training of more staff personnel at less overall cost. The funds in this account are allotted to bring persons with specific types of medical expertise to the Rehabilitation Center in order to present training programs to groups of staff personnel.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$2,590	\$8,000	\$8,800	\$9,680

CONTRACT SERVICES (cont.)

987 Security

This account is used to provide contract security personnel, from Bryant's Merchant Patrol, on a 24-hour basis for the Rehabilitation Center. Two (2) security personnel are present on the premises during working hours and one (1) security person is on the premises at all other times. The projected increases to this account are due to contract renegotiation in Fiscal Year 1981 and anticipated contractual increases for Fiscal Year 1982 and Fiscal Year 1983.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$61,410	\$85,946	\$103,518	\$125,670

The increased costs projected in this account are attributed to three factors:

1. Projected increased patient load;
2. Increased staff; and
3. An increased economic factor projected as 15 percent for Fiscal Year 1981 and 10 percent for each of the Fiscal Years 1982 and 1983.

7060 CONTRACT SERVICES - TOTAL

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$281,861	\$378,374	\$474,854	\$544,305

**OTHER CONTRACT SERVICES -
SUMMARY**

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
<u>MCST and System 6</u>	\$15,696	\$19,222	\$22,519	\$26,381
<u>Other Equipment Rental</u>	\$ 4,298	\$ 5,144	\$ 6,027	\$ 7,061
OTHER CONTRACT SERVICES - SUMMARY TOTAL	\$19,994	\$24,366	\$28,546	\$33,442

OTHER CONTRACT SERVICES

This account is comprised of two sub-accounts; Magnetic Card Selectric Typewriter (MCST-II) and System 6 Computer Account; and Other Equipment Rental account.

936 MCST and System 6

This account is contracted to IBM for two (2) System 6's and two (2) MCST-II Units. The System 6 and MCST-II's are used for a "Billing and Performance-Measurement System" which interconnects to the main Nevada Industrial Center Computer System in Carson City.

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$15,696	\$19,222	\$22,519	\$26,381

937 Other Equipment Rental

This account is comprised of costs for rental of photocopiers, typewriters (on a temporary basis), a postage meter, an instant paging system (beepers) for security personnel, four (4) wheelchairs (on a temporary basis), an auto-viewer projector and a nerve stimulator.

The increases in costs are attributed to a projected patient load increase and normal economic indicator increases.

The companies in this account for Fiscal Year 1980 were:

o IBM	\$2,564
o Buffalo Safe Company, Inc.	600
o Pitney Bowes	274
o Vegas Instant Page	500
o Abbey Medical	100
o Southwest Medical	200
o Greyhound Exposition	<u>60</u>
	\$4,298

SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$4,298	\$5,144	\$6,027	\$7,061

7070 OTHER CONTRACT SERVICES - TOTAL

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$19,994	\$24,366	\$28,546	\$33,442

NEVADA INDUSTRIAL COMMISSION

EXPLANATORY MATERIAL

RE: 1981-83 BUDGET

MARCH 30, 1981

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SURPLUS

What is a "surplus" in the State Insurance Fund? NIC Regulation 37 states:

"'Surplus' defined. 'Surplus' means the portion of the state insurance fund which the commission determines to be in excess of the amount necessary:

1. To pay statutory obligations and administrative expenses;
2. To carry reasonable claim reserves; and
3. To provide for contingencies".

What are "contingencies"? NIC Regulation 37 states:

"'Provision for contingencies' defined. 'Provision for contingencies' means the portion of the state insurance fund which the commission determines should be retained to protect the solvency of the fund against the adverse effect of any catastrophe, economic change, change in judicial decisions or in the law, reserve deficiencies, or any other future event whose effect on the fund cannot be predicted with accuracy."

When and how is the level of the provision for contingencies determined? NIC Regulation 37 states:

"Provisions for contingencies; determination. Following completion of the annual audit of the state insurance fund and the report of the consulting actuary, the commission will preliminarily determine the appropriate level of the provision for contingencies. In making this determination, the commission will consider the advice of its consulting actuary. The written opinion of the consulting actuary will be made available to any member of the public upon request."

What is the procedure for determining the amount and distribution of a surplus? NIC Regulation 37 states:

"Public hearing and final agency determination. If a surplus exists following the preliminary determination of the provision for contingencies, the commission will hold a public hearing on the questions of what is the amount of the surplus and how should it be applied for the benefit of the policyholders. The commission will provide advance notice of the time, place and purpose of the hearing. The hearing will not be held earlier than November 15 or later than May 1 of the fiscal year in which the surplus is determined. The commission will make a final determination not later than May 31 of the total amount of surplus, if any, and the form of distribution."

How may a surplus be distributed? NIC Regulation 37 states:

"Surplus; allocation. Any surplus in the state insurance fund will be distributed to policyholders. The commission may return the surplus to eligible policyholders as an experience dividend or apply the surplus to supplement the premium income of the following year for the purpose of reducing the overall premium rates that otherwise would be required. The commission may distribute the surplus through a combination of an experience dividend and an application to premium income."

What is an experience dividend? NIC Regulation 37 states:

"'Experience Dividend' defined. 'Experience Dividend' means a monetary sum which is declared by the commission as payable to employers who have maintained adequate standards of safety or accident prevention, and which is distributable on the basis of the premium contributed by each employer and the claim losses incurred by each during the experience period."

SURPLUS (cont.)

Because of subsequent adjustments, non-delivery to some expired accounts and other factors, it is not possible to distribute the exact total dollar amount declared. For that reason, Regulation 37 provides that the amount distributed may vary within 1% of the amount declared.

What is the current situation regarding the provision for contingencies and surplus for Fiscal Year 1980?

By way of background, the big surpluses of recent years have not been due to underwriting gains. Unlike private insurance companies and some public funds, NIC fully accounts in its rate making and surplus for the investment income earned or projected to be earned. Most of the recent surpluses have been due to (1) actual increases of investment earnings and (2) projected increases in future years (discounting of reserves).

Due to economic uncertainties, the impact of self-insurance and possible legislation affecting the State Insurance Fund, the Commission has delayed setting the level of provisions for contingencies and actions on surplus until late in the period set forth in Regulation 37. The hearing that must be held by May 1 is scheduled for April 24.

The financial statement issued in November shows \$45 million as available for contingencies and surplus.

The first issue will be the appropriate level of the provision for contingencies. While this provision is actually set at a dollar amount, it is normally expressed as a percentage of premiums. The amounts in the last two years have fallen in the range of 20% to 25% of premiums. NIC's consulting actuary advised for last year that a range of 25% to 30% would have been appropriate. The Commission will soon receive his advice for the present determination.

Private insurance companies usually fall in a wide range of 25% to 100%.

The Commission has expressed concern about the low level of the past amounts for contingencies, and this concern has been reinforced in the past by both NIC's consulting insurance actuary and the insurance actuary retained by the Advisory Board of Review.

If the provision for contingencies should be set at 30% of premiums, for example, the amount would be \$38 million leaving \$7 million as surplus. The surplus then could be distributed as an experience dividend or used to reduce next year's premium rates below what would otherwise be required. The final decision on these questions must be made after the public hearing and not later than May 31.

ORGANIZATION

The present organization of NIC is shown on the next page. Essentially it provides for a coordinator who is directly responsible to the Commission and ten departments that report to the Coordinator.

Three facts that are not visible on the chart but that are significant to the organization are:

1. The Las Vegas office has similar departments to most of the Carson City departments. Technically they are responsible to their counterparts in Carson City but as a practical matter they operate somewhat independently under an Assistant Coordinator who heads the Las Vegas office.
2. The Coordinator has other major responsibilities in addition to coordinating the departments. These include Special Projects (mainly systems studies and implementation) and rate making and related studies in cooperation with NIC's consulting actuarial firm, Peat, Marwick, Mitchell & Co.
3. Claims are administered primarily by Disability Prevention Teams (DPTs). A DPT is made up of three persons from the Claims Department (examiner, secretary and file clerk) and two from the Industrial Rehabilitation Department (nurse and counselor). Interdepartmental staffing of the teams requires interdepartmental supervision.

The present organization clearly is not adequate for various reasons noted below.

Three groups have made organizational recommendations dealing with some or all of the problems.

Legislative Auditor's Recommendations: The Legislative Auditor focused on one significant organization problem - the need for common supervision of claims administration, i.e., close coordination of claims (in an insurance sense) and rehabilitation (physical and vocational) and the related professional services of the Medical Advisor staff and legal staff. This same problem was recognized in both of the broader proposals that follow.

Governor's Management Task Force Recommendations. The Task Force focused primarily on two issues - who is the executive head of the agency, and what is a reasonable span of control? It suggested the chairman of the Commission should be responsible for day-to-day administration. Also, related functions should be grouped so that only four departments would be reporting to the chairman. It incidentally dealt with the Legislative Auditor's problem by combining the Claims and Rehabilitation Departments into an Employees Services Department.

Advisory Board of Review for NIC's Recommendations. The Advisory Board dealt not only with the issues of concern to the Legislative Auditor and the Task Force but a number of other issues as well. This resulted because of the much more extensive study of the Advisory Board. The Commission proposed to the Advisory Board ten problem areas for study including three involving organization. The Advisory Board agreed and approved the hiring of a management consultant to do the organizational studies. The consultant issued several reports identifying organizational problems and making recommendations including some alternatives.

The final product of these deliberations can be subdivided into two separate but related subjects; the external organization (the top level organization under statutory control) and the internal organization. Briefly the external organization is recommended in part by the Advisory Board and in part by an interagency task force and approved by the Governor provides for:

1. The State Industrial Insurance System, a public corporation solely providing workers' compensation insurance, consulting safety services and rehabilitation services. The System would be run by a board of directors and a general manager and would be the successor to NIC's insurance function.

ORGANIZATION (cont.)

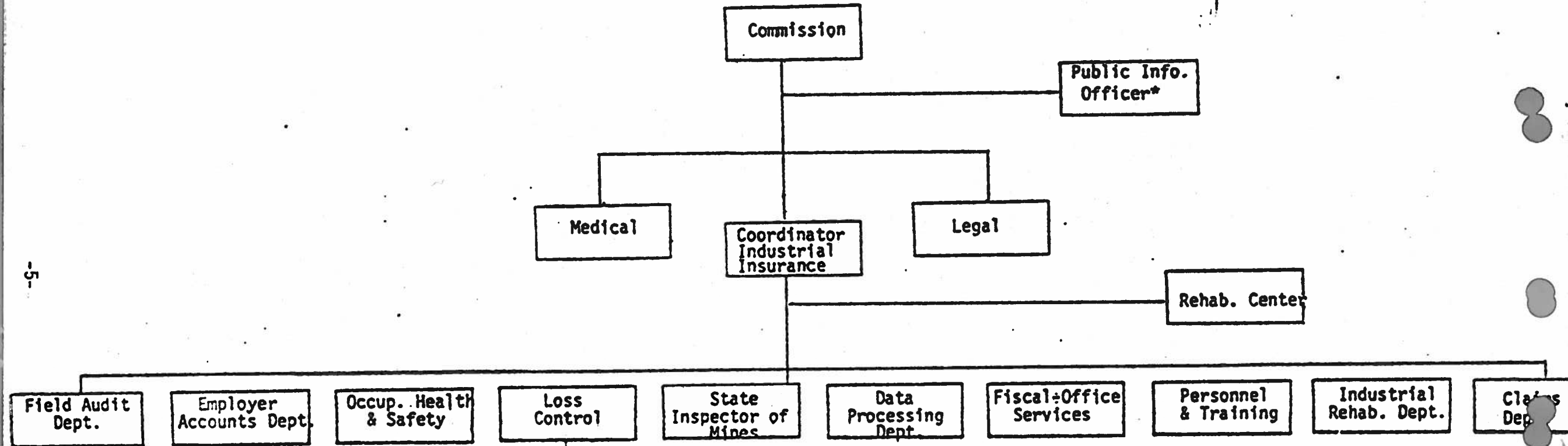
2. A Department of Industrial Relations which would combine the regulatory functions of NIC with the functions of the Labor Commission in a new agency. This department would be responsible for workers' compensation compliance, occupational safety and health, mine inspection and employment standards. The workers' compensation compliance division would be the regulatory agency for all insurers, including the State Industrial Insurance System and self-insured employers. Certification of self-insurers and rate review would remain with the Commissioner of Insurance.

The internal organization of the proposed State Industrial Insurance System (or of the NIC with some variations if the System is not approved by the Legislature) is shown on the fourth of the organization charts. The organizational problems dealt with in this proposal are:

1. A single executive head, the General Manager, would be in charge of administration.
2. Span of control would be dealt with by two assistant general managers, one in charge of regional operations with the two regional offices, Las Vegas and Reno, and the Rehabilitation Center reporting to him and an assistant general manager for home office operations having six staff functions reporting to him.
3. A full service office similar to the present one in Las Vegas would be established in Reno with policyholder and claimant service functions transferred from Carson City. The regional managers would be completely responsible for their regions.
4. Claims and rehabilitation and the supporting medical and legal services would be within a Claimant Services unit in each regional office (similar to the Legislative Auditor's proposed Benefits Department).

The Advisory Board of Review in its report to the Legislature stated that it unanimously recommended in principle the internal restructuring and urged its immediate implementation. The Commission concurs in that recommendation.

EXISTING NEVADA INDUSTRIAL COMMISSION ORGANIZATION

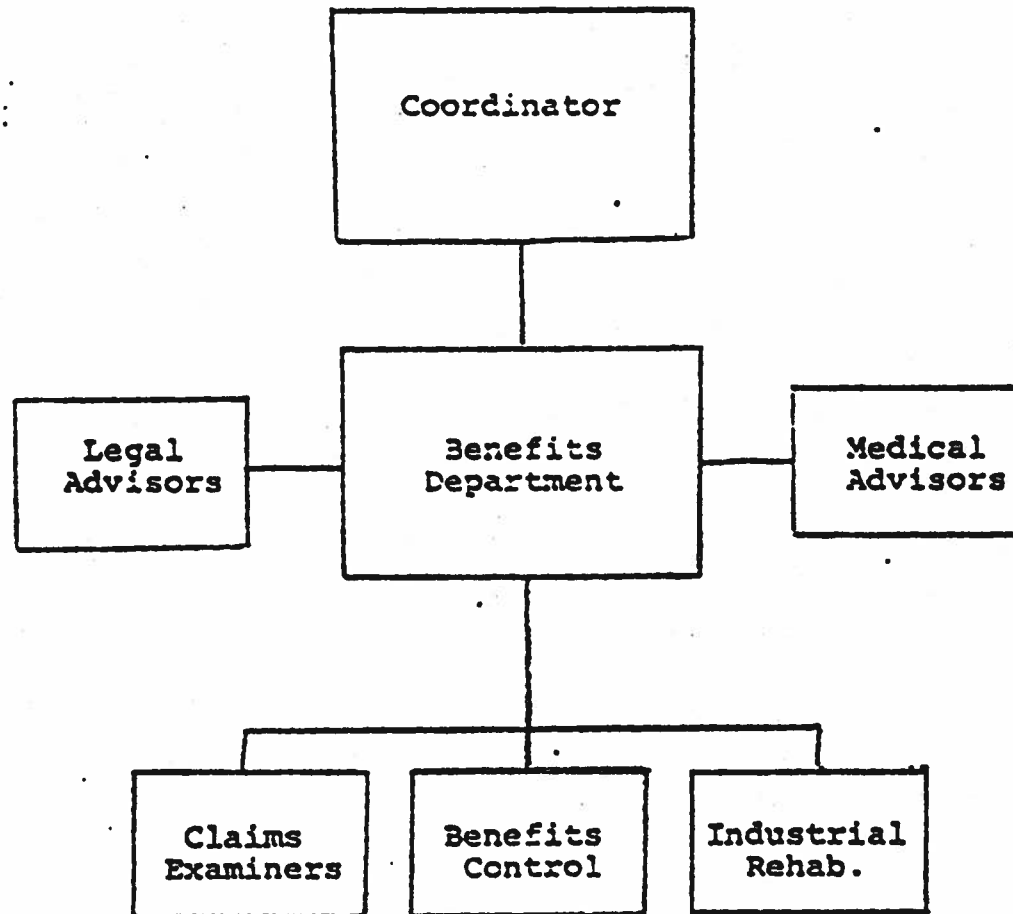


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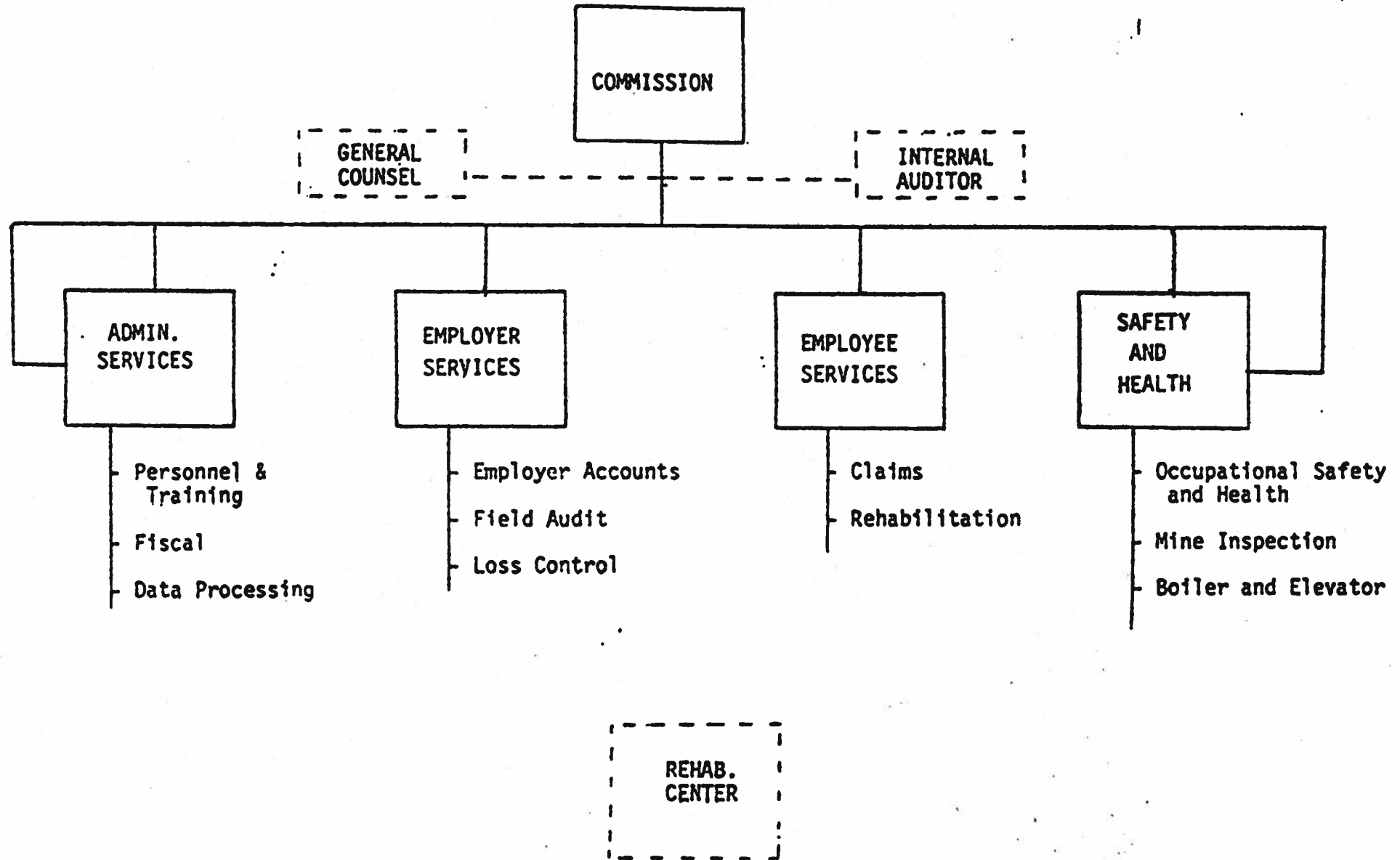
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Legislative Auditor's Organization Recommendation

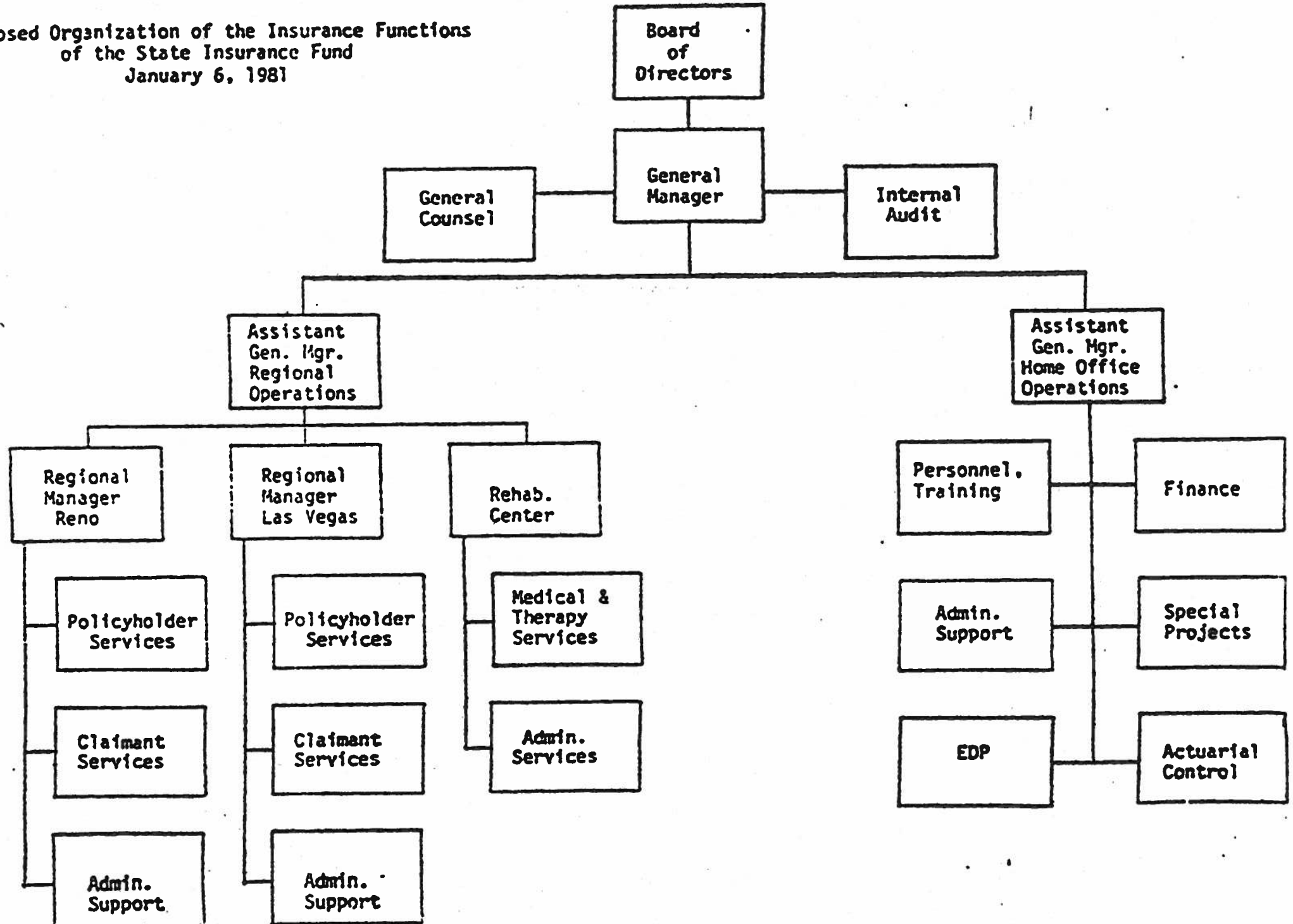
The Nevada Industrial Commission create a Benefits Department as illustrated by the following organizational chart:



Governor's Management Task Force
Recommendations on NIC Organization



Proposed Organization of the Insurance Functions
of the State Insurance Fund
January 6, 1981



NEVADA INDUSTRIAL COMMISSION COMBINED FUND*

RATE OF RETURN SUMMARY

This table summarizes the time-weighted rates of return earned over the current and past years in various sectors of the portfolio and compares these results against relevant market indices.

	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>Since 7/1/75***</u>	<u>1980</u>	<u>Since (B) 3/31/80</u>	<u>Since 12/31/68</u>
<u>Total Assets Results and Comparisons</u>									
Total Assets	15.92%	17.38%	-0.04%	3.28%	5.90%	6.35%	8.79%	17.85%	5.49%
Total Assets, Excluding Cash and Equivalents	16.10	17.95	-0.34	2.90	4.35	6.01	7.26	19.80	4.88
Target Allocation Index Return**	17.12	16.97	0.59	2.44	5.75	6.36	9.47	18.00	N/A
Target Allocation Portfolio Return***	15.94	17.82	0.46	3.33	5.63	6.48	6.48	15.41	5.36
<u>Equity Results and Comparisons</u>									
Equity Portfolio	27.87	21.26	-8.19	5.72	18.70	6.08	31.08 (A)	38.18	5.02
S&P 500	37.34	23.97	-7.39	6.59	18.68	7.82	32.53	38.05	6.58
<u>Fixed Income Results and Comparisons</u>									
Fixed Income Portfolio****	12.69	16.83	2.68	2.59	2.46	6.45	1.43	10.72	5.27
Straight Bonds Only	12.87	17.39	2.46	1.65	-1.24	5.52	-2.90	10.96	4.14
LBKL Govt/Corp Bond Index (Less BAA's)	11.93	15.17	2.62	1.27	2.65	5.87	3.97	13.06	N/A
Salomon Brothers Bond Index	14.64	18.65	1.71	-0.07	-4.19	4.52	-2.66	12.57	4.20
<u>Cash and Equivalents</u>									
Cash and Equivalents	29.29	8.39	5.51	5.94	10.12	7.51	16.03	12.53	N/A
90-day U.S. Treasury Bills	6.44	5.42	5.48	7.28	10.08	5.87	12.46	9.02	7.08
Consumer Price Index	7.01	4.80	6.77	8.92	13.29	8.28	12.50	7.85	7.66

*Includes the Internal Account which is invested daily in short-term instruments.

**TAIR = 20% of S&P 500 + 80% of Lehman Bros. Kuhn Loeb Government/Corporate Bond Index less BAA's.

***TAPR = 20% of Equity Portfolio Return + 80% of Fixed Income Portfolio Return.

****Includes bonds, cash equivalents for Scudder and mortgages.

(A) Includes the Small Equity Position still remaining in the Scudder Portfolio (0.05% and 0.06% of the Total Equity Market Value respectively).

(B) New Guidelines established - Scudder became a solely fixed income manager. TCW and BAIMCO were retained as Equity and balanced managers, respectively.

POSITIONS

The Nevada Industrial Commission currently has budgeted 577.75 full time equivalent positions in the Administrative budget and 152 in the Rehabilitation Center budget, totaling 729.75 full time equivalent positions.

The NIC Position Control Incumbent Report dated February 24, 1981, lists 112 vacant positions. These 112 vacant positions break down into the following categories.

There are a total of 50 positions that the NIC was intentionally holding vacant through the first half of 1980-81 pending the outcome of workload analysis and Advisory Board of Review and Legislative Audit recommendations including reorganization. Thirty-seven of these positions are assigned to the Commission and 13 are assigned to the Rehabilitation Center. These positions are listed below:

37 Administrative Budget Positions in a Hold Status

<u>Position Control No.</u>	<u>Description</u>	<u>Department/Location</u>
0006	*Public Information Officer III	Communications/CC
	Graphic Artist II	Communications/CC
0007	Management Assistant I	Communications/CC
	Workers Comp. Tech. II	Communications/LV
	Administrative Aid II	Coord. Office/CC
0093	Compensation Spec. IV	Coord. Office/CC
0082	Deputy Coordinator	Coord. Office/CC
	*Actuary	Coord. Office/CC
	Branch Manager-North	Coord. Office/CC
	Field Supervisor-E/A	Coord. Office/CC
	Management Analyst II	Coord. Office/CC
	Regional Manager-Reno	Coord. Office/CC
	*Technical Writer	Special Proj./CC
	Sr. Account Clerk	FOSD/CC
	Student (Mailroom)	FOSD/CC
0730	*Student	FOSD/CC
	Account Clerk	FOSD/LV
0185	*Management Assistant I	Internal Audit/CC
0186	*Management Assistant I	Internal Audit/LV
0181	Compensation Spec. III	Internal Audit/LV
2000	*Compensation Spec. III	Marketing/LV
2006	*Compensation Spec. III	Marketing/LV
2004	*Compensation Spec. III	Marketing/Reno
2008	*Compensation Spec. III	Marketing/Reno
	Administrative Aid II	Marketing/Reno
	Administrative Aid II	Marketing/LV
0129	MC/ST Supervisor I	Word Proc./Reno
0494	Computer Programmer I	Data Proc./CC
0501	Computer Programmer I	Data Proc./CC
0026	Medical Advisor	Medical/LV
0523	*Safety & Health Rep.	Loss Control/LV
0574	*Safety & Health Rep.	Loss Control/Reno
	Administrative Aid II	Loss Control/Reno
0200	Manager Employer Services	E.A./CC
0199	*Field Rep.	E.A./Reno
0351	Student	Claims/CC
0361	Student	Claims/CC

*These 13 positions subsequently have been approved by the Commission for recruitment.

POSITIONS (cont.)

13 Rehabilitation Center positions are in a hold status. They will be held until the patient load increase justifies filling.

<u>Position Control No.</u>	<u>Description</u>	<u>Department/Location</u>
968	MC/ST Operator II	Administration
	Administrative Aid II	Administration
	Patient Care Analyst	Medical
	Administrative Aid II	Medical
	Administrative Aid II	Remedial Therapy
	Vocational Evaluator II	Occupational Therapy
	Rehabilitation Therapy Tech. II	Industrial Therapy
	Store Clerk (Chauffeur)	General Services
	Administrative Aid II	General Services
	Laundry Worker	General Services
	Biofeedback Counselor II	Psych. Services
	Public Service Intern	Psych. Services
	Public Service Intern	Psych. Services

The following vacancies as of February 24 are due to normal turnover.

53 Administrative Budget Vacancies

<u>Position Control No.</u>	<u>Description</u>	<u>Department/Location</u>
0108	MC/ST Operator II	Word Proc./CC
0117	MC/ST Operator II	Word Proc./CC
0237	Compensation Spec. III	E.A./CC
0207	Compensation Spec. III	E.A./CC
0225	Compensation Spec. III	E.A./CC
0264	Compensation Tech. III	E.A./CC
0219	Compensation Tech. II	E.A./CC
0289	Compensation Tech. III	Claims/CC
0455	Compensation Tech. II	Claims/CC
0401	Compensation Tech. I	Claims/CC
0473	Computer Programmer II	EDP/CC
0502	Computer Programmer II	EDP/CC
0491	Computer Programmer I	EDP/CC
0472	Computer Programmer I	EDP/CC
0476	Computer Programmer I	EDP/CC
0500	Computer Programmer I	EDP/CC
0558	Principal Safety Engineer	DOSH/CC
0101	Internal Auditor	Internal Audit/CC
064	Compensation Officer I	Legal/LV
055	Senior Legal Steno	Legal/LV
0132	MC/ST Operator II	Word Proc./LV
0119	MC/ST Operator I	Word Proc./LV
0656	Compensation Spec. III	Benefits Control/LV
0226	Administrative Aid II	E.A./LV
0324	Compensation Spec. III	Claims/LV
0412	Compensation Spec. II	Claims/LV
0376	Compensation Tech. I	Claims/LV
0418	Administrative Aid II	Claims/LV
0419	Administrative Aid II	Claims/LV
0435	Administrative Aid II	Claims/LV
0437	Administrative Aid II	Claims/LV
0438	Administrative Aid II	Claims/LV
0439	Administrative Aid II	Claims/LV
0442	Administrative Aid II	Claims/LV
0575	Administrative Aid II	Mech./LV
0577	Senior Safety & Health Rep.	DOSH/LV

POSITIONS (cont.)

0571	Safety & Health Rep.	DOSH/LV
0572	Safety & Health Rep.	DOSH/LV
0566	Senior Safety & Health Rep.	Loss Control/LV
0523	Safety & Health Rep.	Loss Control/LV
0573	Safety & Health Rep.	Loss Control/LV
0129	MC/ST Supervisor I	Word Proc./Reno
0167	Senior Auditor	Field Audit/Reno
0189	Compensation Spec. III	Field Audit/Reno
0169	Compensation Tech. I	Field Audit/Reno
0199	Compensation Spec. III	E.A./Reno
0252	Compensation Spec. III	E.A./Reno
0242	Administrative Aid II	E.A./Reno
0447	Compensation Spec. III	Claims/Reno
0557	Elevator Inspector	Mech./Reno
0576	Administrative Aid II	Mech./Reno
0773	Industrial Rehab. Nurse	Ind. Rehab./Reno
0581	Industrial Hygienist III	DOSH/Reno

9 Rehabilitation Center Vacancies

<u>Position Control No.</u>	<u>Description</u>	<u>Department/Location</u>
939	Industrial Rehab. Nurse	Medical
935	Medical Office Assistant I	Medical
884	Rehab. Therapy Tech. II	Remedial Therapy
928	Administrative Aid II	Remedial Therapy
900	Occupational Therapist II	Occupational Therapy
852	Food Services Worker II	Food Services
847	Grounds Worker II	General Services
923	Custodial Worker	General Services
949	Administrative Aid II	Psych. Services

Most of the above 62 positions were in some state of active recruitment on February 24. Subsequently some have been filled and other positions have become vacant.

COMMUNICATIONS

Communications expense is made up of three NIC accounts: postage, freight, and telephone. A summary of these accounts is shown below. The rationale for these accounts are on the following pages.

SUMMARY

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
Postage	\$206,670	\$287,989	\$316,788	\$348,467
Freight	3,593	4,258	4,731	5,208
Telephone	<u>173,498</u>	<u>207,595</u>	<u>230,638</u>	<u>253,933</u>
	\$383,761	\$499,842	\$552,157	\$607,608

NIC's actual Communications expense for fiscal 1980 was \$376,783. The above figures are based on projections made before the year-end account totals were available.

COMMUNICATIONS

The three accounts that comprise this category are postage, freight and telephone expenses.

527 Postage

It is expected that postage for first-class mail will increase to 20¢, January 1, 1981. This will result in an overall increase of 33% for half of Fiscal 1981. For budgetary purposes, a 17% increase was assumed for the entire year.

The Marketing and Communications Departments will be established in Fiscal 1981 and in all probability will exercise quarterly mailings.

The NIC is changing from a calendar-year rate adjustment schedule to a fiscal-year rate adjustment schedule during Fiscal 1981. This change necessitates an additional mailing of NIC's premium rates to employers during the fiscal year.

The NIC will implement a medical fee study during Fiscal 1981. This study will entail a by-mail survey of the medical community which will total, approximately, 20,000 pieces of mail.

A 10% increase in cost has been applied to each year of the biennium.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$206,670	\$287,989	\$316,788	\$348,467

FY1981
FY1980

Actual Postage	\$206,670	
Postage Increase	x1.17%	
	<u>\$241,804</u>	\$241,804

Additional Rate Letter

Letter	26,700	
Postage Increase	x15¢	
	<u>4,005</u>	
	1.17%	
	<u>4,686</u>	4,686

New Department Mailings

26,700 x 4 (Mailings) = 106,800 x 2 Departments = 213,600

	213,600	
	15¢	
	<u>\$ 32,040</u>	
	1.17%	
	<u>\$ 37,487</u>	37,487

Medical Fee Study

	\$ 20,000	
	.20¢	
	<u>\$ 4,000</u>	4,000

Total Postage \$287,989

<u>FY1982</u>	<u>FY1983</u>
\$287,989	\$316,788
x1.10%	1.10%
<u>\$316,788</u>	<u>\$348,467</u>

COMMUNICATIONS (cont.)

Below is a partial listing of the agency's routine and special mailings.

<u>Mailing</u>	<u>Approximate Volume</u>
Rate Letters	54,000
Payroll Report Forms	210,000
Claims Closure Notices	96,000
Newsletters	108,000
Dividend Notices	{ 16,700
Dividend Checks	
Experience Modification Notices	{ 27,000
Claims Expense Statements	6,000
Advance Deposit Delinquency Notices	28,000
Notification of Delinquent Accounts	18,000
Business Reply Letters	12,000
Bureau of Labor Statistics Survey Forms	5,000*
Mines Newsletters	6,000
Mines Directories	1,000
Loss Control Training Seminar Announcements	1,000
New Employer Packets (DOSH)	6,000
Medical Statements	24,000
Pension Payments	15,000
Claims Payments	52,000

*Includes return.

528 Freight

Freight expenses are incurred by shipping equipment and supplies to the various branch offices. It is anticipated that freight expenses will increase 15% during Fiscal 1981 and 10% each year of the biennium.

Freight expenses will increase an additional 3.5% in Fiscal 1981 for added staff, 1.1% during Fiscal 1982 and a modest .1% in Fiscal 1983.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Proposed</u>	<u>FY1983 Proposed</u>
\$3,593	\$4,258	\$4,731	\$5,209

<u>FY1981</u>	<u>FY1982</u>	<u>FY1983</u>
\$3,593	\$4,258	\$4,731
x1.185%	1.111%	1.101%
<u>\$4,258</u>	<u>\$4,731</u>	<u>\$5,209</u>

COMMUNICATIONS (cont.)

525 Telephone

The projected increase in telephone expense for Fiscal 1981 is 18.5% over 1980, plus an estimated \$2,000 for new installation and remodeling. The same costs associated with postage and freight expenses above, have been applied to Telephone Expense.

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
	\$173,498	\$207,595	\$230,638	\$253,933
		<u>FY1981</u>	<u>FY1982</u>	<u>FY1983</u>
		\$173,498	\$207,595	\$230,638
		x1.185%	x1.111	x1.101
Installations & Remodeling	+2,000	\$230,638	\$253,933	
	<u>\$207,595</u>			

COMMUNICATIONS SUMMARY

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
Postage	\$206,670	\$287,989	\$316,788	\$348,467
Freight	3,593	4,258	4,731	5,208
Telephone	173,498	207,595	230,638	253,933
	<u>\$383,761</u>	<u>\$499,842</u>	<u>\$552,157</u>	<u>\$607,608</u>

*NIC's actual Communications Expense for fiscal 1980 was \$376,783. The above figures are based on projections made before the year-end account totals were available.

GENERAL INSURANCE

The category General Insurance is comprised of the following insurance accounts: General Insurance, Fire & Building Liability, Malpractice and Vehicle Insurance. A brief summary of each insurance coverage as well as the projection of the insurance premium for each plan is listed on the following pages.

SUMMARY

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
General Insurance	\$ 15,050	\$19,409	\$21,372	\$ 23,509
Fire & Building Liability	11,204	8,200	9,020	9,923
Malpractice Insurance	59,440	42,812	47,093	51,803
Vehicle Insurance	<u>17,806</u>	<u>19,582</u>	<u>19,582</u>	<u>19,582</u>
	\$103,500	\$90,003	\$97,067	\$104,817

GENERAL INSURANCE

541 & 667 General Insurance and Insurance - Fire and Building Liability

1. American Nursing Association Liability Plan
 - a. Professional Liability Insurance for twenty-one (21) Industrial Rehabilitation Nurses.
 - b. \$200,000 coverage per occurrence/\$600,000 maximum per year - for each nurse.
 - c. Average premium \$28 per year.
2. Maginnis & Associates, Inc.
 - a. Professional Liability Insurance for two (2) Industrial Rehabilitation Nurses.
 - b. \$200,000/\$600,000 Professional; \$200,000 Personal; \$500/25,000 Personal Medical.
 - c. Policy cancelled, now covered by ANA.

FY1980
Actual

ANA & Maginnis \$723

3. Nevada Independent Insurance
 - a. All risk coverage for all locations. Coverage extends to building and/or contents, depending on whether or not the building is owned or leased by NIC - All Risk Coverage.
 - b. Coverage -
 1. Office furniture and equipment, \$100 deductible per occurrence.
 2. General Liability.
 - a. \$500,000 per occurrence
 - b. \$500,000 aggregate for bodily injury - \$250,000 per occurrence
 - c. Elevator Collision \$250,000, \$1,000 per person and \$25,000 each accident
 3. Building Coverage \$1,000 deductible
 4. Comprehensive Crime Coverage
 - a. Robbery
 - b. Blanket Crime Coverage Bond
 1. Faithful Performance Blanket Position Coverage - \$100,000
 2. Blanket Performance Blanket Coverage in excess of \$100,000 - Maximum \$100,000

TOTAL (1 & 2) = \$200,000

c. **General Liability and Comprehensive Crime Coverage**

FY1980
Actual

\$14,267

d. **Fire and Building Liability Insurance**

FY1980
Actual

\$11,204

e. **Notary Bond \$60 Annual Actual**

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
541 & 667	\$26,254	\$27,609	\$30,392	\$33,432

542 **Malpractice Insurance**

1. Nevada Independent Insurance
2. Medical Liability Insurance for Medical Advisors.
 - a. \$500,000 each occurrence
 - b. \$1,500,000 aggregate
 - c. \$5,000 deductible

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$59,466	\$42,812	\$47,093	\$51,803

The premium for malpractice insurance appears to have decreased because of the purchase of nonassessable coverage. The non-assessable coverage entailed a one-time extra charge in a previous year.

The NIC purchased nonassessable coverage on the Medical Advisors because the medical staff did not have their experience rating established with the insurance underwriter.

A one-time lump sum was paid to the insurer until the Medical Advisors establish their rating. As the experience of the medical staff is established, the premium for their malpractice insurance will decrease.

627 **Vehicle Insurance**

1. Coverage on 94 NIC vehicles.
 - a. \$500,000 Personal Bodily Injury
 - b. \$500,000 Liability per occurrence
 - c. \$100,000 Property Damage Liability
 - d. \$30,000 Accident Motorist
 - e. \$100 Deductible, Comprehensive Auto

f. \$250 Deductible, Comprehensive Truck

g. \$500 Deductible, Collision, Auto-Truck

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$17,806	\$19,582	\$19,582	\$19,582

Vehicle insurance premium will remain constant during the biennium for two reasons. First, 1981 is the first year of a three-year policy. Only slight increases in rates are expected. Second, the Commission has entered into a new policy of leasing vehicles from the State Motor Pool which will have the effect of reducing the number of vehicles that the Commission will insure.

SUMMARY

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
541 General Insurance	\$ 15,050	\$19,409	\$21,372	\$ 23,509
667 Fire & Building Liability	11,204	8,200	9,020	9,923
542 Malpractice Insurance	59,440	42,812	47,093	51,803
627 Vehicle Insurance	<u>17,806</u>	<u>19,582</u>	<u>19,582</u>	<u>19,582</u>
	\$103,500	\$90,003	\$97,067	\$104,817

CONTRACT SERVICES

The budget-line item, Contract Services, is made up of the following NIC account codes; Actuary Expense, Audit Expense, Medical Contracts, Legal Contracts, Legal Subrogation Expense, Other Contracts, Janitorial Expense, and Security Services. All of these accounts are self-explanatory with one exception. The NIC account Other Contracts is used to charge professional and personnel contract services. An example of a professional service would be Software AG, an electronic data processing software vendor who provides a computer management system. An example of a personnel contract service would be Kelly Services.

A summary of the accounts that together comprise the Contract Services Expense are listed below. A brief description of each contract and a projection is listed on the following pages.

7060 Contract Services Summary

<u>Account</u>	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
561 Actuaries	\$131,967	\$152,000	\$167,000	\$183,700
563 Auditors	95,408	109,000	116,000	123,000
565 Medical Contracts	28,695	32,850	36,135	39,749
567 Legal Contracts & 573 Legal Subro Expense	197,631	220,080	238,238	262,061
569 Other Contracts	63,718	77,250	86,095	90,075
673 Janitorial Services	385	5,243	5,767	6,344
677 Security Services	<u>2,739</u>	<u>3,150</u>	<u>4,061</u>	<u>4,793</u>
	\$520,543	\$599,573	\$653,296	\$709,722

CONTRACT SERVICES

561 Actuaries

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
Peat, Harwick, Mitchell & Co.	\$131,967	\$132,000	\$167,000	\$183,700

Actuaries - (General on-going Actuarial Services and Studies)

Examples of Special Studies & Services:

1. Retroactive Benefit Study
2. Communications Consulting
3. "Grandfather" Claim Audit
4. Review of Self-Insureds

Milliman & Roberts
(Actuarial Services to NIC Board of Review)

20,000

1. Hourly Contract

- a. \$140 per hour -
James R. Berquist, F.C.A.S.
- b. \$50-\$80 per hour for professional staff
- c. \$15-\$25 per hour for clerical staff
- d. Reasonable reimbursement of travel and other expenses
 1. \$25 per diem
 2. Reasonable Hotel Room

		15%	10%	10%
	<u>\$131,967</u>	<u>\$152,000</u>	<u>\$167,000</u>	<u>\$183,700</u>

563 Auditors

Kafoury, Armstrong & Co.,
Independent Auditors

Annual Audit and Special Management Studies

Examples of Special Studies:

1. Accounting for Options
2. Study of Proposed Internal Audit Position
3. 1981 Rate Making
4. NIC Reorganization

KAFOURY, ARMSTRONG & CO.

	<u>Paid in FY80</u>	<u>Paid in FY81</u>	<u>Paid in FY82</u>	<u>Paid in FY83</u>
	\$67,108	\$ --	\$ --	\$ --
Audit of FY80 - \$67,000	14,000	53,000	--	--
\$14,300	14,300	--	--	--
Audit of FY81 - \$74,000		16,000	58,000	--
Audit of FY82 - \$81,000	--	--	18,000	63,000
Audit of FY83 - \$89,000	--	--	--	<u>20,000</u>
	<u>\$95,408</u>	<u>\$ 69,000</u>	<u>\$ 76,000</u>	<u>\$ 83,000</u>
Special Projects:				
Existing Contract	--	40,000	--	--
Additional Studies	--	--	<u>40,000</u>	<u>40,000</u>
	<u>\$92,950</u>	<u>\$109,000</u>	<u>\$116,000</u>	<u>\$123,000</u>

6-26-80 Per Kafoury, Armstrong & Co.: Ten (10) percent increase in audit fees per year. Estimated \$40,000 per year for special projects and studies whether that firm does it or not.

565 Medical Contracts

1. Chiropractic

a. Lon Harter, D.C. (North)

1. Chiropractic Advisor
2. January 1980 - Subject to annual review.
3. \$25 per hour.

FY1980
Actual

\$2,088

b. Phillip W. Round, D.C. (South)

1. Chiropractic Advisor
2. December 1979 - Subject to annual review.
3. \$25 per hour.

FY1980
Actual

\$250

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$2,338	\$2,690	\$2,959	\$3,255

2. Pharmacists

a. Gilpatrick, Timberlake, White, Williams, Kramer, Jeppson

1. Pharmacists Board.
2. July 1, 1979, date of all contracts except Kramer's and Jeppson's. Kramer's contract dated October 24, 1979 and Jeppson's contract dated September 1980 - until terminated by either party.
3. \$9.50 per hour.

	<u>FY1980 Actual</u>
Kramer	\$ 375
White	1,301
Williams	1,259
Timberlake	1,300
Gilpatrick	1,668
	<u>\$5,903</u>

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$5,903	\$6,790	\$7,469	\$8,216

3. Medical Consultants

a. Evaluation of Rehabilitation Center and report to the Commission on the Centers' productivity, policies and procedures.

	<u>FY1980 Actual</u>
Carrol Brodsky, M.D.	\$ 1,411
R.A. Martin, M.D.	14,606
C.L. Roberts, M.D.	3,800
	<u>\$19,817</u>

Fee for services rendered plus travel and expenses.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$19,817	\$22,790	\$25,069	\$27,576

b. Guy Corkill, M.D. - Fee for medical reports - \$637.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$637	\$580	\$638	\$702

MEDICAL CONTRACTS
565 - SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$28,695	\$32,850	\$36,135	\$39,749

Legal Contracts

1. Fred V. Scarpello - Manoukian, Scarpello & Alling, Ltd.
 - a. Carson City OSHA Review Board - Attorney.
 - b. February 1, 1979 to January 31, 1980 - or until terminated by either party upon written notice.
 - c. \$2,100 per month.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$25,200	\$25,200	\$25,200	\$25,200

2. Attorney General - Special Agreement - Pam Bugge, Legal Counsel for Advisory Board of Review.
 - a. Legal Counsel for NIC Advisory Board of Review.
 - b. \$25 per hour plus Litigation Costs as they occur.
 - c. Terminates January 31, 1981.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$275	\$3,500	\$ --	\$ --

3. Hanna, Brophy, McLean, McAleer and Jensen.
 - a. Consultation in the field of underwriting Workers' Compensation Insurance - establishing rates, dividends and collateral matters.
 - b. February 5, 1980 - January 1, 1981. Will be a FY1981 expense.
 - c. Hourly contract not to exceed \$20,000.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$ --	\$20,000	\$20,000	\$20,000

4. Eck, Harkins & Beckett, Ltd.
 - a. To handle all subrogation cases involving compensation and related expenditures in excess of \$3,000 and other cases or assignments made by the Commission.
 - b. Compensation:
 1. Ten (10) percent of the first \$400,000 recovered in any one fiscal year.
 2. Twenty-four (24) percent of all amounts recovered in excess of \$400,000.
 3. Attorneys will not receive any percentage of amount recovered in excess of \$900,000 in any one fiscal year.
 4. Actual expenses for travel, meals and lodging.

c. Subject to annual review.

<u>FY1980 Recoveries</u>	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$707,215	\$124,708	\$134,729	\$150,722	\$168,383

5. Riley M. Beckett, Esq.

a. Handles cases and other matters in progress of which he is currently attorney of record and handled as former General Counsel to NIC.

b. Contract is reviewed biannually.

c. \$40 per hour.

<u>FY1980 Recoveries</u>	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$74,606	\$23,000	\$26,450	\$31,432	\$36,840

6. Ward Sutcliff, Frank A. King

a. Handles cases and other matters in progress of which he is current attorney of record and handled as former General Counsel to NIC.

b. \$27.00 per hour, maximum \$140 per month.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$ --	\$3,360	\$3,360	\$3,360

7. Connie Wadhams - FY81 expense.

a. Legal Research Services - \$15 per hour.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$18,500	\$ --	\$ --	\$ --

Legal Subro-Expense

a. Includes Eck, Harkins, contract, above.

b. Includes Beckett contract, above.

c. Various additional attorneys on specific cases.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$5,948	\$6,841	\$7,525	\$8,278

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
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567 Legal Contract Services

&

573 Legal-Subro Expenses

\$197,631

\$220,080

\$238,238

\$262,061

569 Other Contracts

1. Art Bernard

- a. Special investigative assignments requiring in-depth knowledge of Workers' Compensation and Nevada law.
- b. Hourly contract at \$10 per hour not to exceed \$400 per month.
- c. Reviewed annually.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$2,910	\$4,800	\$4,800	\$4,800

2. Software AG.

a. ADABAS - The Adaptable Data Base System

- 1. ADABAS is a software computer system for performing data base management system functions.

b. \$6,000 per year.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$6,000	\$6,000	\$6,000	\$6,000

3. Heart of California

- a. Off-premise secured storage of microfilm records.
- b. Reviewed annually.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$2,000	\$2,330	\$3,313	\$3,644

4. Kelly Services

- a. Transcription services for peak periods of work in the Word Processing Center.
- b. March 1, 1980 through February 28, 1981
- c. Hourly contract: \$7.65 per hour - Maximum \$15,000

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$7,400	\$8,540	\$10,144	\$11,158

5. Professional Assistance, Ltd.

- a. Transcription services for peak periods of work in the Word Processing Center.
- b. December 1, 1980 through November 30, 1981.
- c. Hourly contract: \$6.25 per hour - Maximum \$10,000

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$3,088	\$3,580	\$4,680	\$5,157

6. Nevada Testing Labs.

- a. Soil and water testing for the Department of Occupational Safety and Health.
- b. Per sample basis.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$90	\$500	\$650	\$715

7. Falcon Laboratories

- a. Laboratory analysis of various potential health hazards for the Department of Occupational Safety and Health, as well as the NIC Loss Control Department.
- b. Renewable contract.
- c. Per sample basis not to exceed \$20,000 per year.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$7,690	\$20,000	\$20,000	\$20,000

8. Nevada Liquefied Petroleum Board

- a. The Board performs the regulation and enforcement consultation functions pertaining to the standards and regulations concerning liquefied petroleum.
- b. \$18,000 per year.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$16,500	\$18,000	\$18,000	\$18,000

9. Stanford Research Institute

- a. One-time study of NIC completed in FY1979.
- b. Paid \$6,388 in FY1980.
- c. Projections are for management studies.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$6,388	\$10,000	\$10,000	\$10,000

10. Able-1 Answering Service

- a. Twenty-Four (24) hour answering service at the Reno office.
- b. Contract - July 1980 - until terminated by either party.
- c. Approximately \$18.50 per month.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$222	\$320	\$360	\$396

11. Kafoury, Armstrong & Co.

- a. Management consulting services for NIC's Organization Study - \$11,430.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$11,430	\$ --	\$ --	\$ --

Projected under contract services.

12. Data Point

- a. Computer Equipment

1. Claims System

2. Word Processing

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$ --	\$3,180	\$8,140	\$10,205

OTHER CONTRACT SERVICES
569 - SUMMARY

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$63,718	\$77,250	\$86,095	\$90,075

673 American Building Maintenance

1. Janitorial service for Reno office.
2. \$375 per month.
3. Anticipated expense for additional office space in Reno and Las Vegas.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$385	\$5,243	\$5,767	\$6,344

677 Security Services

1. Alarmco

- a. Security Alarm System - Las Vegas Office

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$1,883	\$2,165	\$2,382	\$2,620

2. **General Services**

- a. Security service for Carson City.
- b. \$856 annually.
- c. The increased costs in this category are supplied by the Nevada Department of General Services.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$856	\$985	\$1,679	\$2,173

SECURITY SERVICES

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$2,739	\$3,150	\$4,061	\$4,793

7060 Contract Services Summary

<u>Account</u>	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
561 Actuaries	\$131,967	\$152,000	\$167,000	\$183,700
563 Auditors	95,408	109,000	116,000	123,000
565 Medical Contracts	28,695	32,850	36,135	39,749
567 Legal Contracts &				
573 Legal Subro Expense	197,631	220,080	238,238	262,061
569 Other Contracts	63,718	77,250	86,095	90,075
673 Janitorial Services	385	5,243	5,767	6,344
677 Security Services	<u>2,739</u>	<u>3,150</u>	<u>4,061</u>	<u>4,793</u>
	\$520,543	\$599,573	\$653,296	\$709,722

*This account appears in State Account 7250 Buildings and Grounds Services.

OTHER CONTRACT SERVICES

The budget line item, Other Contract Services, is made up of five (5) NIC account codes that are used to track contracts for equipment and the maintenance of equipment. These accounts are listed below. A short description of the account and the equipment, along with projections, are listed on the following pages.

OTHER CONTRACT SERVICES - EQUIPMENT RENTAL

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
601 In-House Data Processing Equip.	\$ 71,061	\$217,648	\$247,648	\$272,413
607 Word Processing Equip.	61,643	79,420	102,484	107,146
609 Postage Meter Rental	772	942	942	942
611 Equip. Maintenance Service Contract	44,941	102,325	117,280	129,216
615 Misc. Leases & Rentals	230	265	291	320
	<u>\$178,647</u>	<u>\$400,600</u>	<u>\$468,645</u>	<u>\$510,037</u>

Costs vary by the proportion of the year the equipment is used.

OTHER CONTRACT SERVICES - EQUIPMENT RENTAL

601 In-House Data Processing Equipment

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
1. Datapoint Corporation				
a. Data Processing Equipment, Supplies, Maintenance and Software				
b. Individual purchase basis	\$ 5,171	\$ 16,540	\$ 18,821	\$ 20,709
2. Racal-Milgo Information Systems				
a. Modulator/Demodulator Units to translate audio informa- tion to digital information from telephone lines to computers	2,912	10,011	11,392	12,508
3. Raytheon Data Systems Company				
a. Computer terminals	5,430	18,717	21,298	23,433
4. Telex Computer Products, Inc.				
a. Terminal Printers	3,864	12,187	13,868	15,261
5. Nevada Bell				
a. Computer Communications Lines	8,981	29,599	33,680	37,054
6. IBM				
a. Computer Equipment	<u>44,703</u> \$71,061	<u>130,594</u> \$217,648	<u>148,589</u> \$247,648	<u>163,448</u> \$272,413

For more detailed information, refer to Supplement A. NIC is in the process of installing an automated claims system. The increased costs in this category are due to additional equipment and programs associated with this automated system.

607 Word Processing Equipment

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
1. International Business Machines Corporation				
a. Twenty IBM Mag Card II Typewriters. Lease/ purchase.	\$34,086			
b. Four IBM System 6 Infor- mation processor. Lease/purchase. Two/rentals	21,653 5,904 <u>\$61,643</u>	\$79,420	\$102,484	\$107,146

Proposed FY1982 and 1983 include the cost of ten (10) replacement machines.

609 Postage Meter Rental

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
1. Pitney Bowes				
a. Carson City Office	\$207	\$253	\$253	\$253
b. Las Vegas Office	276	337	337	337
c. Reno Office	179	218	218	218
d. Elko Office, Desk	110	134	134	134
	<u>\$772</u>	<u>\$942</u>	<u>\$942</u>	<u>\$942</u>

611 Equipment Maintenance Service Contracts

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
1. Pitney Bowes				
a. Carson City Equipment				
1. Mail Scale	\$ 8	\$ 48	\$ 53	\$ 58
2. Mail Scale	61	92	101	111
3. Mail Opener	95	142	156	172
4. Folding Machine	80	92	101	111
5. Inserter	155	178	195	215
6. Mailing Machine	61	173	190	209
b. Las Vegas Equipment				
1. Mail Scale	48	55	61	67
2. Mail Scale	70	152	167	184
3. Mail Opener	211	243	267	294
4. Mailing Machine	189	217	239	263
c. Reno Equipment				
1. Mail Scale	48	55	61	67
2. Mailing Machine	195	225	248	273
3. Mailing Machine	82	195	211	232

611 Equipment Maintenance Service Contracts (cont.)

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
2. International Business Machines Corporation				
a. Carson City				
1. Ninety-Five IBM Typewriters	5,447	7,600	8,360	9,196
2. Two IBM Document Printers	600	1,200	1,320	1,452
3. Eight IBM Mag Card II's	4,968	5,280	5,808	6,388
4. Two IBM System 6 Information Processor	3,090	4,968	5,465	6,011
5. Data Processing Display Stations	3,210	3,692	4,061	4,467
b. Las Vegas				
1. Forty-one IBM Typewriters	2,356	3,280	3,608	3,969
2. One IBM Copier III	2,751	3,164	3,480	3,828
3. Ten IBM Mag Card II's	4,520	6,600	7,260	7,986
4. Three IBM System 6 Information Processor	3,270	7,452	8,197	9,017
c. Reno				
1. Ten IBM Typewriters	730	800	880	968
2. Two IBM Dictation Equipment	93	107	118	130
d. Elko				
1. Three IBM Typewriters	66	240	264	290
3. Gordon H. Huber Company				
a. Carson City				
1. Jacket Loader	200	230	253	278
2. High-Speed Printer	580	667	733	806
4. R.L. Wardman, Inc.				
a. Transcribers, Dictaphones, Recorder and Dictate Stations	2,957	3,400	3,740	4,114

611 Equipment Maintenance Service Contracts (cont.)

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
5. Raytheon Data System				
a. Data Processing Display and Keyboard Equipment	1,680	1,932	2,125	2,338
6. Burroughs Corporation				
a. Carson City				
1. Check Signer	695	800	880	968
2. Feeder	225	259	285	314
3. Check Protector	163	188	207	228
b. Las Vegas				
1. Check Signer	528	607	668	735
7. Cummins-Allison Corp.				
a. Check Endorser	247	285	314	345
8. Eastman Kodak Company				
a. Kodak Trimlite - R Reader	175	201	221	223
9. Tac Inc.				
a. Duplicator	105	221	242	266
10. Parke Communications				
a. Basic Station for Safety	960	1,104	1,214	1,335
11. Wood Systems				
a. Three Tel-Edisettes	551	634	697	767
b. Twelve Transcribers	1,125	1,294	1,423	1,565
c. Seventeen Dictate Stations	300	345	380	418

611 Equipment Maintenance Service Contracts (cont.)

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
12. Sierra Office Concepts				
a. Three Savin Copiers	\$ 2,046	\$ 2,353	\$ 2,588	\$ 2,847
13. A.B. Dick				
a. Microfiche Equipment - starting FY1981				
1. Two Record Processors	-0-	3,536	3,890	4,279
2. One File Microprinter	-0-	164	180	198
3. Reader Printer, Microdeveloper	-0-	301	331	364
14. Maintenance on Proposed Computer Equipment for Claims System	-0-	37,554	46,038	50,870
	<u>\$44,941</u>	<u>\$102,325</u>	<u>\$117,280</u>	<u>\$129,216</u>

The increased costs in this category are due to additional equipment associated with the automated claims system that is being installed.

615 Miscellaneous Leases and Rentals

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
1. Wood System				
a. Sound Equipment Rental	\$ 30	\$ 35	\$ 38	\$ 42
2. Nevada Audio Visual Serv., Inc.				
a. Wollensak AV33 Dissolver	120	138	152	167
3. Bauer Audio Video, Inc.				
a. AV33 Dissolver Unit	30	35	38	42
4. Meyerott Christel				
a. Rental of Steno Machine	50	57	63	69
	<u>\$230</u>	<u>\$265</u>	<u>\$291</u>	<u>\$320</u>

OTHER CONTRACT SERVICE EQUIPMENT RENTALS

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
601 In-House Data Processing Equipment	\$ 71,061	\$217,648	\$247,648	\$272,413
607 Word Processing Equipment	61,643	79,420	102,484	107,146
609 Postage Meter Rental	772	942	942	942
611 Equipment Maintenance Service Contract	44,941	102,325	117,280	129,216
615 Miscellaneous Leases and Rentals	230	265	291	320
	<u>\$178,647</u>	<u>\$400,600</u>	<u>\$468,645</u>	<u>\$510,037</u>

Costs vary by the proportion of the year the equipment is used.

ADVERTISING AND PUBLIC RELATIONS

The Stanford Research Institute and the NIC Advisory Board of Review recommended that NIC conduct a continuing program of public information for its policyholders and claimants. The increased expenditures are in two accounts, Instructional Supplies and Advertising and Public Relations. These reflect a change in policy to comply with this recommendation.

523 Instructional Supplies (Safety Films and Training Course Supplies)

The NIC, through the Loss Control and Mines Departments and the Department of Occupational Safety and Health, provide training and accident prevention programs for Nevada's workers and their employers. The result of these training programs is to reduce job related accidents and ultimately employers' losses.

The safety education programs use films, group seminars and training aids in the performance of safe job practices and procedures.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$4,036	\$57,549	\$77,753	\$71,280

533 Advertising and Public Relations Expense

Traditionally this account has been used to charge advertising expenses for recruitments. In order to comply with the recommendations of the Stanford Research Institute and the NIC Advisory Board of Review, an additional \$50,000 has been budgeted for Public Information related expenses.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$22,980	\$65,000	\$71,500	\$78,650

SUMMARY

	<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
Instructional Supplies	\$ 4,036	\$ 57,549	\$ 77,753	\$ 71,280
Advertising and Public Relations	<u>22,980</u>	<u>65,000</u>	<u>71,500</u>	<u>78,650</u>
	\$27,016	\$122,549	\$149,253	\$149,930

HOST FUND EXPENSE

The Advisory Board of Review and the Stanford Research Institute recommended that the Commission make a concerted effort to communicate more effectively with Nevada employers and employees. In an effort to comply with this recommendation, the Communications and Marketing Departments plan to conduct a continuing series of information seminars to explain the rate making, reserving, premium and classification determination processes.

In addition, the Loss Control and the Inspector of Mines Departments conduct training workshops on occupational safety and health practices. The Commission also hosts meetings with various employer and employee groups.

Host expenses are the costs associated with conducting these meetings. Examples of these costs are the meeting room rent and refreshments.

It is estimated that the Marketing, Communications, Loss Control and the Inspector of Mines Departments will each conduct four (4) meetings in Northern Nevada and four (4) meetings in Southern Nevada each year. The average cost of each meeting is estimated at \$150.00 which includes the cost of the room and refreshments, if any.

These costs have been projected at a ten (10) percent increase each year of the biennium.

	<u>FY1982 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
Commission	\$1,544.00	\$1,920.00	\$2,112.00	\$2,323.00
Communications & Marketing Depts.	-0-	2,400.00	2,640.00	2,904.00
Loss Control	13.00	1,200.00	1,320.00	1,452.00
Inspector of Mines	<u>194.00</u>	<u>1,200.00</u>	<u>1,320.00</u>	<u>1,452.00</u>
	\$1,751.00	\$6,720.00	\$7,392.00	\$8,131.00

BAD DEBTS

It is estimated that the NIC will incur approximately one-tenth of one percent of premium income as Bad Debts. Also, when an employee working for an uninsured employer is injured, he may request and receive benefits from the NIC. The Commission must then try to recover these paid expenses from the employer. The amount not recovered also shows as a Bad Debt.

	<u>Estimated FY1980</u>	<u>Estimated FY1981</u>	<u>Estimated FY1982</u>	<u>Estimated FY1983</u>
Bad Debts	\$204,000	\$144,900	\$159,390	\$175,329
Uninsured Employer Write-Off	<u>57,273</u>	<u>47,894</u>	<u>52,958</u>	<u>58,103</u>
	\$261,273	\$192,794	\$212,348	\$233,432

The write-offs for Fiscal 1980 are higher than the one-tenth of one percent rate due to current economic conditions. However, it is estimated that the one-tenth of one percent calculation will be sufficient in subsequent fiscal years.

The actual Bad Debt write-offs for Fiscal 1980 were \$257,799.

The actual figures were not available at the time the budget was prepared.

MOVING EXPENSE

Moving expenses may be incurred by NIC in two ways. First, the agency on occasion may find it necessary to move one or more of its operating departments from one location to another. The second manner that the agency may incur moving expenses is the reimbursement of moving expenses to employees whose work locations are reassigned. The reimbursement of these costs are in compliance with the State Administrative Manual.

NIC moved three of its operating departments during fiscal 1980. All three departments were moved from rented office space that was some distance from the NIC administration building in Carson City, to office space either in the administration building or office space adjacent to it.

The increased amount in this line item is due to the anticipated need to transfer operating departments or individual positions from one city or location to another because of the reorganization.

<u>FY1980 Actual</u>	<u>FY1981 Work Program</u>	<u>FY1982 Projected</u>	<u>FY1983 Projected</u>
\$1,694.00	\$10,000.00	\$11,000.00	\$12,000.00