



**Final Report
of the
Nevada Spending and Government Efficiency Commission
to
Governor Jim Gibbons
January 7, 2010**



Nevada SAGE Commission

Spending and Government Efficiency

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Governor

Jim Gibbons

January 7, 2010

Chairman

The Honorable Jim Gibbons

Office of the Governor

Bruce R. James

State of Nevada

Commissioners

101 N. Carson Street

Don Ahern

Carson City, NV 89701

Barbara S. Campbell

Dear Governor Gibbons,

Robert B. Feldman

On behalf of the Nevada Spending and Government Efficiency (SAGE) Commission I submit our final report to you together with our observations about the process and suggestions for the future.

Robert Forbuss

Randy A. Garcia

David Goldwater

Stephen Greathouse

Steven D. Hill

Jan Jones

Howard Putnam

Jerome Snyder

Jim Thornton

Carole Vilardo

Shortly after your election as Governor in November 2007 it became obvious that the State could no longer afford to continue government spending at the rate that our growing population and tax revenues had allowed in the previous decade. The rate of population growth had declined and the national economy seemed in danger of entering a recession which could affect state tax collections. From the beginning of your term you began to speak of the necessity of making our state government smaller and more efficient to avoid the prospect of raising taxes in a declining economy.

By early Spring of 2008 many people had made suggestions to you for streamlining the government; to help in evaluating these suggestions you began to explore the idea of bringing a group of senior business leaders together to give you their best advice on how you might reduce spending while improving needed citizen services.

That led to your establishing the SAGE Commission in May 2008. Many states over the years, including Nevada, had tried their hand at similar studies with mixed results. There were two important differences in how you went about setting up the Nevada SAGE Commission. First, you decided to seek guidance from legislative leaders of both parties regarding the composition of the Commission membership; that led to your selecting 14 senior business leaders with widely different backgrounds, 7 Republicans and 7 Democrats, 10 from the South, 4 from the North, none conflicted by doing business with the State. Second, you established a maximum term of two years for the Commission to complete its work but rather than wait for one end report, you instructed the Commission to deliver its recommendations to you every 90 days.

Staff

Executive Director

Frank A. Partlow

Deputy Director

J. Perry Comeaux

General Manager

Suzanne Kilgore

Continued

At the first meeting of the Commission on June 26, 2008 you asked members to set aside politics, their own personal biases and prejudices, and to focus on what was best for Nevada. It was a powerful charge—you asked for our best collective advice on how to make government more efficient and more responsive, irrespective of the politics involved.

That set the tone that led the Commission in researching, developing and sending to you 44 recommendations, all but two of which were fully supported by all members present at the vote. (The two recommendations forwarded to you without unanimous support were not split by party line or geography but by the conscience of members so voting). In all, it was a remarkable show of true bipartisanship by each and all of the Commissioners through months of committee meetings and 17 all-day meetings of the full Commission, which alternated between Las Vegas and Reno.

From the beginning, Commissioners recognized that 14 wise people sitting around a table could, by themselves, contribute little. Based on our respective years of leading organizations we knew that the answers to streamlining government laid mainly with the State's own employees and managers. So, as a starting step, we instructed our three person professional staff to work with the Department leaders reporting directly to you, to identify those opportunities for immediate cost savings. In general, there was exceptional cooperation which led to many of our early recommendations. As a follow-on step, we worked with the University of Nevada, Reno to develop and administer by email a survey of all identifiable Executive Branch employees, seeking their suggestions for improving citizen services and reducing costs. In particular, we were looking for patterns within agencies and throughout government. Again, the cooperation of employees in this effort was exceptional, with their insights leading the Commission to develop several recommendations.

Commissioners also recognized that we would benefit from reviewing not only previous studies of Nevada spending and possible efficiencies but also those of other states, as well as seeking guidance from experts throughout the country. We asked our professional staff to undertake these reviews and report their findings to us. A delegation of Commissioners and staff members traveled to Washington to seek input from federal agencies including the Government Accountability Office (GAO), the Office of Management and Budget (OMB), and the General Services Administration (GSA). Meeting with the top officials of these agencies to learn about best practices throughout the country proved quite fruitful as we began our work.

With limited resources and time we decided to organize our work horizontally and vertically while seeking ways to both streamline state government and increase revenues without adding to tax burdens. Horizontally, we looked at those services which cut across all agencies such as Information Technology. Vertically, we focused on the six agencies out of approximately 200 that account for nearly 70% of the state's (non-education) spending: Health and Human Services, Corrections, Motor Vehicles, Transportation, Business and Industry, and Public Safety.

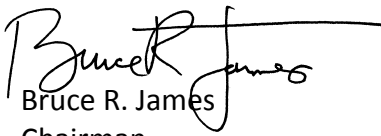
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To make certain that we were getting input from as many sources as possible we established several Task Forces, each focusing on a specific horizontal or vertical area, each composed of a Commissioner and outside experts, including state employees, and a SAGE staff member. The Task Forces conducted interviews and held meetings inviting interested parties to provide their viewpoints. At Commission meetings, which were all public, we invited interested parties and experts to comment on proposed recommendations. In all, hundreds of citizens, educators, state employees, public officials, labor leaders, business people, and subject matter experts contributed to the Commission's final recommendations.

While we realize that government is designed to change incrementally, we strongly believe that the recommendations we have made to you are practical and ripe for implementation now. Our recommendations could save the state hundreds of millions of dollars in the short run and billions over the next decade and have the potential to add tens of millions of dollars to state revenues without increasing taxes. Some you can implement on your own initiative, many require working with the State Legislature to fully implement. While the Commission wrapped up our official work in December, our members, to a person, stand ready to assist you and the Legislature in implementation.

We thank you for the honor of allowing us to serve our fellow citizens.

Sincerely,



Bruce R. James
Chairman

- In general, Nevada has a lean state government workforce that is paid salaries equal or above the private sector. However, benefits, including taxpayer contributions to retirement and health care programs, greatly exceed the private sector. By combining the two, the average state worker is paid considerably more than their private sector counterpart. This is unaffordable in the short run and unsustainable in the long run as many states are now experiencing. The sooner Nevada addresses this, and the sooner total government employee compensation is brought into parity with the private sector, the sooner the state will achieve a balanced budget allowing it to provide needed citizen services at desired levels. Dealing with this issue alone will save half of all the money contained in the Sage Commission's recommendations. This is not just a financial issue; it is one of fairness for all of our citizens.
- The state budgeting process is archaic and in need of revision. The process itself distracts everyone from agency personnel to members of the legislature from focusing on the big picture by being forced to deal with minutia. We realize that there is a difference in fiscal prudence between the private and public sectors, but the federal government and many other states do a much better job than Nevada. This is important because it lies at the heart of doing more with less, of being able to provide needed public services in the most efficient manner. We saw example after example of the same basic public services being provided by multiple agencies in a duplicative fashion without any coordination. This is due in large measure to the way budgets are made and reviewed. We make several recommendations in regard to improving the process with the key one being program budgeting.
- It's hard to imagine any organization of the size of our state government, other than government, trying to operate with 200 operating units or agencies. In the private sector we would consider such a structure unmanageable and a waste of valuable resources. However, in the private sector there is constant push for renewal and change to remain competitive. In the government sector it seems that once an entity or program is established it seldom goes away regardless of efficacy. The result is a waste of public resources. A million here, a million there, pretty soon it adds up to real money. Realizing that eliminating a state agency or commission or program faces the same obstacles that the federal government had a generation ago in trying to close obsolete military bases, the SAGE Commission recommended establishing the Nevada Sunset Commission to ensure periodic review of every state government entity and program to make certain it is still doing what it was established to do, is still necessary, and is cost efficient. If we had established such a commission a decade ago we would have far more resources today to provide critical citizen services.
- It is really necessary for the Nevada government to embrace a 21st century mentality in providing workplace tools for employees and in providing citizen services. It's not much of an exaggeration to say that the way the government is organized dates to the horse-and-buggy era. There are notable exceptions to this, but not many. It was beyond the ability of the SAGE Commission to address this other than collaterally. We strongly suggest that the state invest in establishing an overarching vision for providing effective, cost-efficient services using modern methods, and then hire appropriate consultants in each key area to help design and implement changes. Initially, the focus could be making investments with a payback of one year or less. But, it is important that each change build on the last, working toward a vision shared across state government.

- The State needs to address its real estate portfolio. The State not only does not have a real estate plan, it lacks a complete inventory, in one place, of its raw land, improved real estate, leased real estate, and water and mineral rights. The federal government and most other states have plans to sell obsolete holdings and to sell and lease back some facilities to raise cash and reduce carrying costs. In addition, many states are renegotiating leases to dramatically lower costs. The SAGE recommendation in this regard shows how this can be accomplished professionally and competitively with no out-of-pocket cost to the State.

- The lackadaisical attitude of public employees and officials throughout Nevada toward identifying and then relentlessly pursuing grant opportunities was puzzling to commissioners. Nevada rests last in receiving federal grant funds for which we are eligible. We have unnecessarily disadvantaged ourselves, leaving tens of millions of dollars on the table, by not having a strategic, managed focus on this opportunity as does almost every other state. This should be a full-out, statewide effort involving all jurisdictions eligible for such grants. (Yes, we heard the argument over and over that the state “does not have the required matching funds” which does not explain how 49 other states do it, or why we apply for only a fraction of available grants not requiring matching funds.) As a corollary, most foundations will not grant funds directly to a government entity for social services, but they will make grants to private sector, non-profit charities for services similar to or sometimes identical to what our government provides. Why not focus on partnerships with charities with such funding opportunities for the purpose of providing better and more cost effective services for our needy citizens?

- The SAGE Commission’s mandate was to examine the Executive Branch of our government, excluding lower and higher education. Most good consultants would claim that they could suggest to any organization, public or private, ways to reduce operating costs by 10%. The SAGE Commission probably achieved similar results in terms of recommendations—without cost to taxpayers because the commission was privately funded by individuals and businesses. But, there is a big difference between recommending and enacting. Most members of the SAGE Commission are responsible in their own organizations for both creating a vision and leading others in its implementation. Here, we have to rely on others to grasp the vision behind each recommendation, embrace it themselves, and then enact it, all in a cauldron of various political calculations. SAGE commissioners have spent their time and money to provide our political leaders real, practical recommendations for reducing the costs of government. Just as SAGE commissioners did in their work, we hope our elected public officials can now set aside their partisan differences to put the public’s interest first. If not now, when?

Recommendations
from the
Spending and Government Efficiency (SAGE) Commission
To Governor Jim Gibbons
June 1, 2008 through December 31, 2009

Note: The full text of all 44 SAGE Commission Recommendations can be found on the pages following.

1. Centralize billing for third party pay services in Mental Health and Developmental Services (MHDS). Explore data processing improvements and contracted billing services.
2. Staffing ratios in state operated psychiatric facilities need to be evaluated against private sector and national norms.
3. Implement Managed Care for the Aged, Blind and Disabled (ABD) groups in the Medicaid program in Clark and Washoe Counties, and expand Managed Care to women and children in four rural counties (Carson, Douglas, Lyon and Storey)
4. Acquire Distributive School Funding (DSA) for the Nevada Youth Training Center (NYTC) at Elko which is currently a high-school-like facility that is paid for with State general funds.
5. Complete the downsizing of the DMV night shift while maintaining the goal of a five-day title turnaround time.
6. Identify and coordinate the activities of all departments, agencies and institutions of the Executive Department that administer programs for the treatment of drug and alcohol abuse, or which provide funding to local governments for such programs.
7. Establish a program similar to the US Government Printing Office "GPO Express" schedules, providing steeply discounted digital printing, copying, finishing, delivery and other services by vendors on-line and at any of their outlets throughout the State, using access cards which document and bill all transactions electronically.
8. Examine ways to use the Indigent Accident Fund/Supplemental Relief Fund for federal matching funds to the Medicaid and Nevada Check Up programs.
9. Appoint a competent, disinterested third party to review the available options and recommend the most cost effective solution for the DMV auto insurance verification program to reduce the number of uninsured motorists currently driving illegally in Nevada to 10% or less.
10. Close the Nevada State Prison in Carson City immediately.
11. Evaluate a four-day work week for all non-essential Nevada State employees beginning October, 2009.

end of First Report, September 30, 2008

12. Over two years, beginning July 1, 2009, bring the State Public Employee Benefits Program (PEBP) health care subsidy for active Nevada employees and their dependents into approximate parity with those provided to their employees by Nevada private sector employers.
13. Modify retirement benefits for Public Employee Retirement System (PERS) members first employed on or after July 1, 2009.
14. Eliminate all State Public Employee Benefit Program (PEBP) subsidies for anyone who retires after July 1, 2009. Reduce existing subsidies for all plans for all currently retired State employees by twenty-five percent beginning July 1, 2009, and to a total reduction of fifty percent of existing subsidies beginning July 1, 2010. Eliminate all PEBP subsidies for all Medicare eligible retirees effective July 1, 2009.
15. Modify retirement benefits for all Public Employee Retirement System (PERS) members effective July 1, 2009, if legally permissible

Nevada SAGE Commission Recommendations, June 1, 2008 — December 31, 2009

16. The Senior Citizens Property Tax Assistance Program should be administered and fully funded by the various counties within the State of Nevada. The counties actually collect property tax with the majority of revenue being distributed to governmental entities within a county, so any rebate should be funded at that level.
17. Create a statutory Evaluation and Sunset Commission of not to exceed eleven members, three appointed by the governor, one from his administrative staff and two public members, and a total of eight appointed by majority and minority leaders of each house of the legislature from members of their respective bodies. This commission would make recommendations concerning statutorily created state agencies, boards and commissions regarding duplication of efforts, efficiencies to be achieved and potential elimination of functions. It would also recommend possible elimination, modification or continuance of all statutory tax exemptions, abatements and earmarks. The commission would present its findings to the Governor and Legislative Commission annually.
18. All state agencies should review the fees charged for services to ensure the fees cover the costs of providing the services. Fees and costs should be reviewed every two years
19. The State should conduct a detailed inventory of all State-owned real estate and buildings along with a portfolio optimization review of all leased facilities. An appointed task force should then evaluate the uses for all State owned property and appurtenant water rights, including Nevada System of Higher Education and NDOT real estate holdings, to determine the revenue producing potential of disposing of, leasing, trading, sale-leaseback or development opportunities by way of public/private partnerships. Such development might be financed by private equity and debt, tax exempt Certificates of Participation or other alternative means.

end of Second Report, December 31, 2008

20. Design of a distance-based user fee pilot program by Nevada Department of Transportation (NDOT) and the Regional Transportation Commission (RTC) of Washoe County should be supported and funded now. A volunteer pilot program should be initiated in 2011, if feasible.
21. Provide State financial support to create a Nevada-oriented marketing and outreach program to supplement the national census advertising campaign.
22. Reinstate the requirement that Proof of Insurance from a licensed Nevada insurance company be presented to the Nevada Department of Motor Vehicles (DMV) for new vehicle registrations. Pursue programming on the DMV website to facilitate issuance of all temporary Proof of Insurance cards through the DMV website secure server.
23. Bulk copies of Driver Instruction booklets should be provided at a cost of \$2 per booklet. License applicants who return for additional drive tests beyond the second try should be charged a duplicate fee in recognition of the additional personnel and administrative time and costs.

end of Third Report, March 31, 2009

24. The State should make statutory changes to the interest rates paid on overpayment of taxes and charged on underpayment of taxes for both individuals and businesses. The State should adopt the index used by the Internal Revenue Service, as adjusted periodically, for businesses and individuals.
Recommendation #24 was adopted at the April 23, 2009 meeting as an interim Recommendation and sent to the Governor. It will also be included in the June 30, 2009 Report.
25. Nevada's Department of Information Technology (DoIT) should implement and maintain an Enterprise Web Content Management System capable of hosting agency Web content and Web based applications, providing a single point of access for Nevada's citizens, while reducing costs.
26. Establish a common email platform for all Executive Branch Agencies.

end of Fourth Report, June 30, 2009

Nevada SAGE Commission Recommendations, June 1, 2008 — December 31, 2009

27. Nevada should significantly improve its State level energy conservation efforts by enforcing its existing energy conservation plan and revising that plan consistent with 2009 organizational, financial, statutory and technical realities.
28. Request appointment of an Interim Legislative Committee to study the Public Works process.
29. Nevada Revised Statute (NRS) 408 regarding design-build contracts should be expanded to allow both an increased number of such projects per year and a significantly lower dollar threshold limit on such contracts.
30. In connection with SAGE Commission Recommendation #18 -- review of costs and fees -- included in the December 31, 2008 Report to the Governor, the following definitions should be adopted.
 - Fee: A charge made to recover the cost of operating the program or providing the service, including indirect cost (overhead). A fee shall not be used for any purpose other than the actual direct and indirect cost of the program or service being provided to the end user.
 - Cost: Direct cost of the program or service plus its allocable portion of indirect cost. Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those: (a) incurred for a joint or common purpose benefitting more than one cost objective; and (b) not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. (*from OMB Circular A-87*)
31. Authorize the Department of Corrections (DOC) to establish an intermediate sanction facility for certain probation violators and offenders, who are determined to be substance abusers. Substance abuse treatment is to be provided by the Department of Health and Human Services (HHS).
32. Nevada's information technology future should be defined through a comprehensive strategic planning process organized and developed by the State Information Technology Advisory Board (ITAB). Implementation of the resulting plan should be monitored, measured, and evaluated by a project manager separate from ITAB and the Department of Information Technology (DoIT).
33. Change the Interim Finance Committee (IFC) oversight thresholds as follows:
 - A) Whenever a request for the revision of a work program of a department, institution or agency in an amount more than \$50,000 would, when considered with all other changes in allotments for that work program, increase or decrease by 10 percent or \$110,00, whichever is less, the expenditure level approved by the legislature. (NRS 353.220.4)
 - B) For gifts and non-governmental grants exceeding \$25,000 each and governmental grants exceeding \$225,000 each and any grant that involves new employees. (NRS 353.335.5a and 5b)
 - C) Specifically exclude revision of work program requests for balance forward funds and/or authority to the subsequent fiscal year where legislative authority exists and with no change in purpose; and de-augmentation of expenditure authority from any additional IFC approvals. (NRS 353.220.5 ADD 5d), d(i) and d(ii))
 - D) The legislature shall review and adjust these amounts every six years. (NRS 353.220.5 ADD 5e.)
34. Revise language in NRS 242.131 so that State agencies, boards, and commissions in the Executive Department are not exempt from using Nevada Department of Information Technology (DoIT) professional services except for those infrastructures, enterprise architectures, facilities and personnel required for control of the specialized mission of the enterprise.
35. Solicit recommendations for a common telecommunications platform for all Executive branch State agencies and invite the Judicial and Legislative branches, Constitutional Officers, the Nevada System of Higher Education (NSHE), and cities and counties throughout the State to participate.

end of Fifth Report, September 30, 2009

36. Explore the possibility of an exchange of Ely State Prison and Lovelock Correctional Center to companies that specialize in private corrections in return for construction of similar facilities located within existing large population centers to be determined by the Board of Prison Commissioners.
37. The Department of Corrections (DOC) should issue a request for proposals (RFP) to evaluate the costs and benefits of privatization of inmate medical and mental health care and the provision of pharmaceutical services.

Nevada SAGE Commission Recommendations, June 1, 2008 — December 31, 2009

38. Require directors of cabinet level departments to establish and implement cross training programs for their employees where feasible and practical, within a reasonable time. The goals of any such program should be to 1) help meet peak workloads and improve operational efficiency; 2) offer job enrichment opportunities; and 3) reduce costs by reducing use of outside contracts and/or overtime.
39. The Nevada Department of Transportation (NDOT) should perform a detailed analysis and review of all of the existing NDOT maintenance stations throughout the State with a view to eliminating some stations and consolidating others.
40. The Nevada Department of Transportation (NDOT) should commission a study of the costs and benefits associated with providing roadway maintenance by NDOT maintenance crews compared to outsourcing the same maintenance activities and develop decision factors for outsourcing such maintenance.
41. Create a communication structure, managed by a Nevada State Grants Coordinator, to facilitate dissemination of grant application opportunities and collaborative application efforts between agencies, county and local governments and non-profits, and identify a resource pool of experts and grant writers to support agencies in preparing applications. Create Grant Writer positions in selected state departments based on availability of grant opportunities.
42. Undertake a pilot project at one or more agencies to implement changes in Nevada's budget system. The pilot project should present, in the agencies selected, a program budget with clear performance evaluation criteria. The program budget should include funding in broad expenditure categories, as opposed to the three-part line item objects of expenditure, and measurable expected results at that level of funding should be included. The program budget can be presented with, or instead of, the traditional line item budget.
43. A method of establishing budget funding priorities based on different levels of expected revenues should be adopted.
44. Increase efforts to reduce costs for prescription drugs in the departments of Health and Human Services and Corrections by continuing ongoing programs and investigating new initiatives.

end of Sixth Report, December 31, 2009

The full text of all 44 SAGE Commission Recommendations can be found on the pages following.

Recommendation #1

Centralize billing for third party pay services in Mental Health and Developmental Services (MHDS). Explore data processing improvements and contracted billing services.

Issue:

The long-standing MHDS approach to collecting third party payments for services using three independent regional offices (north, south, rural) with each office employing separate protocols is inefficient and results in lost revenue for the state.

Start-Up Cost Estimate:

unknown

Saving/Enhanced Revenue Estimates:

1 Year:

\$2.4 million*

*net of start up cost estimate

5 Year:

\$12.0 million

Explanation:

Historically, MHDS has collected third party payments for services in a decentralized manner. There are three separate regions (agencies) (north, south, rural) in the state.

By centralizing the MHDS billing/collections staff in one location (Carson City) MHDS can be more efficient and effective in collection efforts. MHDS has already begun this process and is transferring positions into the centralized unit. Proposed agency budgets for Fiscal Years 2010 and 2011 have been built with expected additional revenue from collections based on this change.

Additional revenue expected to be realized from centralizing the billing/collections staff is as follows:

<u>Fiscal Year</u>	<u>North</u>	<u>South</u>	<u>Rural</u>
FY10	\$585,000	\$1,775,000	\$0.00
FY11	\$615,000	\$1,805,000	\$0.00

Once initial consolidation of the billing function is accomplished, improvements to automated systems need to be explored for additional efficiencies. In addition, a detailed evaluation of using an outside contractor for billing services versus the state-operated billing services should be conducted.

Recommendation #2

**Staffing ratios in state operated psychiatric facilities
need to be evaluated against private sector and national norms**

Issue:

Daily operating costs in the State's three psychiatric hospitals are substantially higher than those in the private sector and in other states due in large part to higher than normal staffing ratios. Although new facilities have been built, staffing ratios have continued at the level required when facilities were inefficient.

Start-Up Cost Estimate:

None identified

Saving/Enhanced Revenue Estimates:

1 Year:

to be determined

5-Year:

to be determined

Explanation:

The State, through the Division of Mental Health and Developmental Services (MHDS) and the Division of Child and Family Services (DCFS) operates three psychiatric hospitals (2 adult, 1 children's) and one forensic facility. Daily operating costs in these facilities are substantially higher than costs in some private facilities and other states' publicly operated hospitals. Higher than normal staffing ratios drive this cost significantly. Higher staffing ratios were needed when the state utilized very inefficient, old hospitals built pre-1970. Over the past ten years, the state has built and opened three new state-of-the-art facilities which should allow for improved efficiencies.

Recommendation #3

Implement Managed Care for the Aged, Blind and Disabled (ABD) groups in the Medicaid program in Clark and Washoe Counties, and expand Managed Care to women and children in four rural counties (Carson, Douglas, Lyon and Storey).

Issue:

Managed Care, versus Fee-for-Service, is not currently mandated for the Aged, Blind and Disabled in any county or for women and children in any rural county. Expanding the Managed Care approach to these additional recipient groups would be a more cost effective means of providing these services to these populations.

Start-Up Cost Estimate:

\$225,000 - \$425,000

Saving/Enhanced Revenue Estimates:

1 Year:

\$7.3 million

5 Year:

\$36.5 million

Explanation:

The ABD Managed Care pilot project and Rural County expansion have both been suggested by the Department of HHS as options to save money. The ABD Managed Care plan was approved as a part of the 2007 Legislative Hearings. The Rural County expansion was suggested as a way to save money during the recent necessary budget reductions. Neither program has been implemented because of current economic conditions, and federal policy concerns which may require a waiver.

Expanding Managed Care to the Aged, Blind and Disabled (ABD) population was "priced" for the 2007 Legislative session (decision unit E400, BA3243). Start-up costs were identified as totaling \$222,650 at that time. These costs included increased actuary services and increased quality review organization services. Estimated savings on switching ABD populations to Managed Care in 2007 were \$2.7 million for year one and \$13.5 million over five years.

On expanding managed care to rural counties for families/children, no estimate exists for start-up costs; however, the same issues noted above would apply on a smaller scale. If this change had been implemented for FY 2009, the savings over Fee-for-service costs were estimated at \$4.6 million for the first year and \$23 million over five years.

Estimated savings in the first year may be affected by the expected overlay of previous Fee-for-service costs not yet billed. When converting from a Fee-for-service plan to Managed Care plan, the State must expect to pay for "tail costs" (Fee-for-service bills which come in after the conversion) at the same time it would be paying fixed rates in the Managed Care program.

Recommendation #4

Acquire Distributive School Funding (DSA) for the Nevada Youth Training Center (NYTC) at Elko which is currently a high-school-like facility that is paid for with State general funds.

Issue:

The schools at the other Child and Family Services Division detention facilities are operated by the local school districts and funded through the DSA. The Division is currently in discussions with Elko County School District in an attempt to have the District take over the school. The Division also filed an application for a charter school, which would also result in DSA funding.

Start-Up Cost Estimate

None

Savings/Enhanced Revenue Estimates:

1 Year:

\$455,000

5-Year:

\$2.3 million

Explanation:

The average number of youths detained at NYTC during a year has been between 150 and 160. This student "count" has not been included in the formula to determine guaranteed support through the DSA. Instead, a direct general fund appropriation has been made to Child and Family Services to operate the school.

The cost for fiscal year 2009 is budgeted at \$1.4 million. This includes approximately \$200,000 for a vocational education program that the Division will continue to operate. The remaining \$1.2 million savings will be reduced by the cost of providing the guaranteed support per pupil, currently estimated at \$5,323 per pupil.

The Child and Family Services Division estimates a reduced student count for future years of about 140 youths in the facility. This will result in a net savings to the general fund of about \$455,000 per year.

Recommendation #5

Complete the downsizing of the DMV night shift while maintaining the goal of a five-day title turnaround time.

Issue:

Vehicle title processing improvements have allowed DMV to keep title turnaround time to within its goal of five days, allowing it to phase in transfer of two night shift FTE into existing vacancies on the day shift, while maintaining the turnaround time goal.

Start-Up Cost Estimate:

None

Savings/Enhanced Revenue Estimates:

1 Year:

\$94,000

5-Year:

\$470,000

Explanation:

DMV currently processes over 400,000 title requests annually. In FY2002, DMV processed 343,000 title requests with a 14-day turnaround time. By FY 2008, 419,000 requests were processed in three days, in part due to a night shift supervisor and six technicians. Processing improvements will allow reductions in that staffing while maintaining the turnaround time goal, especially as a significant decrease in vehicle sales statewide has caused the number of requests to decline.

DMV will continue to monitor turnaround times, but expects that the goal can be maintained even when the economy rebounds.

Recommendation #6

Identify and coordinate the activities of all departments, agencies and institutions of the Executive Department that administer programs for the treatment of drug and alcohol abuse, or which provide funding to local governments for such programs.

Issue:

A report and recommendations on the subject matter of this recommendation mandated by Section 188.7 from Senate Bill 8 of the 20th Special Legislative Session to be submitted to the Governor by December 1, 2004, was never completed or submitted.

Start-Up Cost Estimate:

To be determined

Savings/Enhanced Revenue Estimates:

1 Year:

Unknown

5-Year:

Unknown

Explanation:

Section 188.7 from Senate Bill 8 of the 20th Special Legislative Session directed that the Budget Division of the Department of Administration and the Fiscal Analysis Division of the Legislative Counsel Bureau jointly identify all departments, institutions and agencies of the Executive Department that administer programs for the treatment of drug and alcohol abuse, or which provide funding to local governments for such programs, and to develop a proposal for coordinating such programs to reduce the administrative costs associated with such programs and maximize the use of state revenues being expended for such programs.

This report with its recommendations was never completed and the coordination of such activities has not been implemented. The cost savings and maximization of the use of state revenues anticipated likewise have not yet been realized. This recommendation aims to achieve those ends.

Recommendation #7

Establish a program similar to the US Government Printing Office "GPO Express" schedules, providing steeply discounted digital printing, copying, finishing, delivery and other services by vendors on-line and at any of their outlets throughout the State, using access cards which document and bill all transactions electronically.

Issue:

State offices spend \$2.5-\$4.3 million on printing with the State Printing Unit and \$5.6-\$9.6 million with private vendors annually. Differences between State Printing Unit records and those provided by the State Budget Division on printing spending by State agencies suggest that printing purchases are charged to a variety of general ledger accounts. This discrepancy notwithstanding, a program like GPO Express should be established, where the State would specify and publish a price list for digital printing and related services, similar to the FedEx Office GPO Express schedule, specifying ordering and payment methodologies and terms, and contracting with any digital printer in the State willing to accept those terms. Such a system would result in significant savings for printing and shipping costs of digitally printed matter for taxpayer supported government agencies throughout the State, while continuing the State Printing Unit option for agency digital printing jobs which are more conveniently or more economically done by the State Printing Unit.

Start-Up Cost Estimate:

None

Savings/Enhanced Revenue Estimates:

1 Year:

\$700,000

5-Year:

\$3.5 million

Explanation:

The State Administrative Manual provides that all State printing and binding be done on a competitive basis and further advises that it is in the best interest of the State to do business with the State Printing Unit, "whenever possible." Sixty-six percent of that Unit's current business supports State executive branch agencies, 25%, the legislative branch, 6%, cities and counties and 3%, the judicial branch.

The US Government Printing Office (GPO) has established a "GPO Express" system of schedules with FedEx Office, providing savings on advertised pricing for digital printing, copying, finishing, delivery and other services. These services are provided to US Government agencies on line and at any of its 1500 outlets anywhere in the United States, using individual access cards, which document and bill all transactions electronically to the GPO.

Recent meetings with FedEx Office officials confirm corporate interest in providing this same sort of contractual arrangement with the State of Nevada. The State could also elect to offer FedEx Office schedules to any qualified digital printer in the State under similar terms and conditions as provided by the GPO Express contract. Government agencies typically are seeking convenience and rapid turnaround on digital print orders, which means they often pay retail premiums for such work. Since many State agency offices are not located in convenient proximity to the State Printing Unit, such statewide digital printing arrangements would not only cost far less, they would increase productivity, as well.

Recommendation #8

Examine ways to use the Indigent Accident Fund/Supplemental Relief Fund for federal matching funds to the Medicaid and Nevada Check Up programs.

Issue:

The state is disregarding \$25-50 million dollars per year in federal matching funds for the Medicaid and Nevada Check Up programs because of legislative restrictions on application of the Indigent Accident Fund and the Supplemental Relief Fund.

Start-Up Cost Estimate:

Unknown

Saving/Enhanced Revenue Estimates:

1 Year: \$25 - \$50 million

5 Year: \$125 - \$250 million

Explanation:

Property tax rates include 2.5¢ per \$100 to support medical care for indigent (poor) individuals who experience automobile accidents or catastrophic (over \$25,000 health care) events. This creates approximately \$25 million per year in the Indigent Accident Fund and Supplemental Income Fund (IAF/SAF).

Currently, no federal matching funds are obtained for this revenue, with the exception of a very small amount used to support a waiver (HIFA) in the Medicaid program to provide health care to pregnant women and low-income employees in small businesses.

If the state law directing how IAF/SAF funds can be expended was changed to allow for reimbursement of care provided to Medicaid eligible individuals and Nevada Check Up eligible children, then these funds would become eligible for Federal matching. The federal matching rate in the Medicaid program is 50% state/50% federal. The federal matching rate in the Check Up Program (children) is approximately 34% state/66% federal. This would result in an additional \$25million to \$50 million per year in reimbursement money available for county hospitals.

It is estimated that the Nevada Check Up program alone could use the entire additional amount generated from federal matching funds. In addressing this legislative change, care should be taken to ensure that the resulting increase in funds continues to be directed to the current recipients of IAF/Supplemental funds, namely hospitals and counties. At the very least, they should be protected from any decrease in current fund levels.

Recommendation #9

Appoint a competent, disinterested third party to review the available options and recommend the most cost effective solution for the DMV auto insurance verification program to reduce the number of uninsured motorists currently driving illegally in Nevada to 10% or less.

Issue:

Private vendors and insurance industry executives believe that for start up costs of \$1 million and \$700,000 annually, they can achieve a reduction of at least ten percent in Nevada's current 17-19% uninsured motorist population, beginning in 2009. DMV leadership prefers to do this work using its existing workforce to completely rewrite its insurance verification software by January 2010, at a cost of \$387,000 and 23 FTE to operate the system after that.

Start-Up Cost Estimate:

unknown

Savings/Enhanced Revenue Estimates:

1 Year:

\$3.5 million

5-Year:

\$20.9 million

Explanation:

Nevada currently has 17-19% of its motorists driving uninsured motor vehicles. It is estimated that by cutting the uninsured population by 10%, the approximately 180,000 additional insured vehicles would generate \$3.8 million annually in additional 3.5% insurance premium tax revenues.

On September 9, the Interim Finance Committee approved \$387,000 for the DMV to design and develop what DMV characterizes as "modifications to the insurance program" in-house. Of the funding approved, \$106,736 is for IT overtime hours and \$266,490 for contract programmer hours. They intend to commence this work in January 2009, and estimate completion one year later.

Insurers characterize the work required as "a complete rewrite of the insurance verification software." They currently report to DMV using outdated magnetic tapes and disks, while DMV uses 20 FTEs to resolve the resultant insurance issues by telephone, because it has no upload, download or email communication capacity to generate prompt, accurate enforcement and collection actions. Utah, Texas, Florida, Wyoming, New Mexico and Colorado have successfully hired outside vendors, some of whom have over 10 years' experience in this field, to resolve similar uninsured motorist issues.

At an initial cost of \$1 million and \$700,000 annually thereafter, or about 50 cents per vehicle, Nevada could generate sufficient previously unpaid tax revenues to offset the costs of these contracts and cut its DMV workforce by up to 23 enforcement FTEs, as well.

Recommendation #10

Close the Nevada State Prison in Carson City immediately.

Issue:

Established in 1862, the Nevada State Prison in Carson City is one of the oldest prisons still operating in the United States at a cost to the state of \$19 million annually. In addition, there exists a 104-page list of capital improvements required to bring this facility up to code at a cost estimated at between 40 and 50 million dollars.

Start-Up Cost Estimate:

To be determined

Savings/Enhanced Revenue Estimates:

1 Year:

\$19 million

5-Year:

\$140 million

Explanation:

A maximum security facility until 1989, this Nevada State Prison currently houses medium security inmates who are employed in a variety of work assignments, including the State License Plate factory. Design capacity of the facility is 591, but it currently houses 905 inmates. It has a total staff of 211. Both inmates and staff could be accommodated in other facilities throughout the State. The prison has serious current problems with both water and sewage. Lines of sight available in the facility require more staff per inmate than in newer facilities. There have been discussions and attempts to close the facility for at least ten years largely because of its poor condition and the mounting costs of upkeep.

An alternative to full closure is a partial closure by reopening the upper yard (units 6-13) and bringing it into the perimeter of the adjacent Warm Springs Correctional Center after certain capital improvements are completed at that facility. This alternative involves the expense of a new perimeter fence for the resulting institution and maintaining retained portions of a very old facility at a time of constrained state resources. However, the license plate plant and other prison industries which are located in the upper yard could then be retained, using inmates from Warm Springs in the interim by requiring Prison Industries pay for an officer to move them as required, and for the necessary utilities to keep these operations functioning.

Recommendation #11

Evaluate a four-day work week for all non-critical Nevada State employees beginning October, 2009.

Issue:

The State could realize significant potential savings in operation of state-owned buildings, reductions in vehicle emissions and enhanced State employee morale by providing all non-essential Nevada State services during four, ten-hour days per week, Monday-Thursday, instead of the current five, eight-hour days per week, Monday-Friday.

Start-Up Cost Estimate:

To be determined

Savings/Enhanced Revenue Estimates:

1 Year:

\$10 million

5-Year:

\$50 million

Explanation:

On August 4, 2008, the State of Utah began a one-year pilot program of four, 10-hour shifts, Monday-Thursday, for all State agencies. Agency managers have the discretion to schedule staff, but Utah's standard business hours will be 7:00 am-6:00 pm, Monday-Thursday. Public universities, the State court system, prisons and other critical services are exempt. This program will remain in effect for one year, until August, 2009, when the program will be evaluated and a determination made regarding continuing or terminating the program.

Utah expects to save significant monetary resources with this program, primarily in building operational costs and by spreading the load on its transportation infrastructure, while reducing energy use and resulting CO2 emissions. Its initial estimates of cost savings were \$14 million, with about 17,000 of its employees estimated to be affected by the new working hours. These estimates will be replaced by actual data, beginning January, 2009. The State also expects to improve provision of services to its citizens by extending them beyond the traditional hours of the workday. Utah officials also believe it will improve the quality of life of its employees and increase its ability to attract new talent into State government.

This recommendation anticipates that Nevada would effect the necessary legislative and executive authorizations to begin immediately to work with its neighbor in Utah to follow these evaluations of both the cost and non-monetary impacts of Utah's experiment with an altered work week. It anticipates that by October, 2009, or shortly thereafter, Nevada could make a fully informed decision to commence its own experimentation with an altered work week, based on its own independent evaluations of Utah's pilot program. Costs and savings estimates in this recommendation are based on about 15,000 State employees being impacted in any Nevada pilot program.

Although most states have an optional four-day work week option for their employees, Utah is the first to try a mandatory four-day work week. Such programs are fairly common among city and county governments nationwide, including Henderson and North Las Vegas, NV, and are becoming more so due to higher fuel prices and the overall fiscal pressures facing governments at all levels across the country.

Recommendation #12

Over two years, beginning July 1, 2009, bring the State Public Employee Benefits Program (PEBP) health care subsidy for active Nevada employees and their dependents into approximate parity with those provided to their employees by Nevada private sector employers.

Issue:

The cost of health insurance is shared between employer and employee in most public and private sector enterprises. Nevada's employee health care subsidies are established by the Legislature each biennium. They have exceeded those of some Nevada private sector employers and those in some other states. To establish fairness and promote competitiveness between Nevada's public and private sectors, these subsidies should be adjusted every two years based on a statistically valid survey of private sector employer health care subsidy practices.

Start-Up Cost Estimate:		Undetermined
Savings/Enhanced Revenue Estimates:	1 Year:	\$20.2 Million
	5-Year:	\$322.7 Million

Explanation:

Over 26,000 active State employees and their dependents currently participate in some form of State PEBP health care insurance. These plans offer a variety of choices to employees and include benefits similar to those offered by Nevada's private sector employers. The difference is that over a number of years, private sector employees have apparently been absorbing an increasing part of the cost of health insurance while the current State share of these costs is 95-100% for active employees and 85% for their dependents. The result is that a State employee's average monthly contribution for health insurance in 2009 is zero to \$28 and between \$62 and \$194 for dependent coverage for a family of four. An employee of a major Las Vegas employer in 2009 will pay \$104 and \$323 for approximately the same insurance. This proposal envisions establishing State subsidies based on valid comparisons to those paid by Nevada's private sector employers of over 100 employees to determine a mean average private sector subsidy for all types of health insurance. State subsidies would then be brought to within five percent of this mean in two steps, on July 1, 2009 and July 1, 2010, to cushion the impact on State employees. State employee subsidies would be adjusted up or down each two years based on subsequent surveys of private sector employers. PEBP staff could also establish a base salary threshold below which the maximum employee share paid for active employee coverage and for dependent coverage would be fixed at specific percentages of the actual cost of the coverage.

The cost factors shown provide an illustrative example of the impact on the State's fiscal situation of subsidy reductions expected from this recommendation.

Recommendation #13

Modify retirement benefits for Public Employee Retirement System (PERS) members first employed on or after July 1, 2009.

Issue:

The cost of the PERS as it currently exists represents a significant financial obligation to both state and local governments in Nevada. The cost of fully funding that system is currently estimated to be \$6.3 billion. That cost can be reduced while maintaining an acceptable level of retirement security for Nevada's public employees hired on or after July 1, 2009.

Start-Up Cost Estimate:

None Identified

Savings/Enhanced Revenue Estimate:

5-Year:

Approximately \$100 Million

Explanation:

The proposed retirement plan modifications are as follows, and would apply prospectively to all employees hired on or after July 1, 2009:

1. Redefine "compensation" for purposes of benefit calculations to base pay only.
2. Change final average salary definition from average of three consecutive highest years to average of five consecutive highest years.
3. Establish compensation cap at 10% per year for five consecutive highest years for purposes of benefit calculation only.
4. The cost of purchasing years of service should be reviewed every biennium and priced to cover the full actuarial cost of the benefits purchased.
5. Impose a moratorium on PERS benefit enhancements until the plan is actuarially fully funded for three consecutive years and can continue to be actuarially fully funded; and sunset any enhancements so approved in ten years.
6. Eliminate retirement at any age with prescribed number of years of service and establish a minimum retirement age of 60. A reduced benefit would be paid at any age after 35 years of service.
7. Reduce the retirement multiplier from the current 2.67 to 2.15.

Items 6 and 7 should not be applied to police and fire members. That issue should be studied separately.

In addition, the Governor or Legislature should conduct an interim study and make recommendations to the 2011 Legislature for additional changes to the system, if appropriate.

Recommendation #14

Eliminate all State Public Employee Benefit Program (PEBP) subsidies for anyone who retires after July 1, 2009. Reduce existing subsidies for all plans for all currently retired State employees by twenty-five percent beginning July 1, 2009, and to a total reduction of fifty percent of existing subsidies beginning July 1, 2010. Eliminate all PEBP subsidies for all Medicare eligible retirees effective July 1, 2009.

Issue:

Nevada's employee health care subsidies are established by the Legislature each biennium. Over 7,800 retirees currently participate in some form of State PEBP health care insurance. This number is expected to rise to 8,200 by 2011, and rapidly increase thereafter, as over 43 percent of current State employees are eligible to retire within 10 years. Unlike retirees from most private sector employment and many states, Nevada retirees currently receive generous PEBP health care subsidies.

Start-Up Cost Estimate:

None

Savings/Enhanced Revenue Estimates:

1 Year:

\$23.6 Million

5-Year:

\$156.8 Million

Explanation:

This proposal would eliminate all State PEBP subsidies for anyone who retires after July 1, 2009. These retirees would remain eligible to participate in PEBP, but would pay 100 percent of benefit costs. This proposal also envisages reducing State PEBP subsidies by twenty-five percent for all current retirees who are not eligible for Medicare, beginning on July 1, 2009, and to a total reduction of fifty percent of existing subsidies beginning July 1, 2010. Currently, these subsidies range between \$356 and \$696 per month at a cost to the State of \$40 million per year. The expectation is that elimination of this subsidy will cause some retirement eligible State employees to retire before July 1, 2009, in order to qualify for this reduced subsidy. PEBP staff could also establish a retiree pension threshold below which the maximum retiree share paid for retiree coverage and for dependent coverage would be fixed at specific percentages of the actual cost of the coverage.

The existing \$4 billion deficit required to fully fund the PEBP system for 30 years will be reduced during each year that these subsidy reductions are in effect.

Recommendation #15

Modify retirement benefits for all Public Employee Retirement System (PERS) members effective July 1, 2009, if legally permissible.

Issue:

The cost of the PERS as it currently exists represents a significant financial obligation to both state and local governments in Nevada. The cost of fully funding that system is currently estimated to be \$6.3 billion. That cost can be reduced while maintaining an acceptable level of retirement security for Nevada's public employees.

Start-Up Cost Estimate:

None Identified

Savings/Enhanced Revenue Estimate:

the

No estimates are available at this time. The sav-

estimates require actuarial calculations that can be performed by the PERS actuarial consultants, if

PERS Board directs.

Explanation:

The proposed retirement plan modifications are as follows, and would apply to all PERS members, if legally permissible:

1. The cost of purchasing years of service should be reviewed every biennium and priced to cover the full actuarial cost of the benefits purchased.
2. Impose a moratorium on PERS benefit enhancements until the plan is actuarially fully funded for three consecutive years and can continue to be actuarially fully funded, and sunset any enhancements so approved in ten years.

In addition, the Governor or Legislature should conduct an interim study and make recommendations to the 2011 Legislature for additional changes to the system, if appropriate.

Recommendation #16

The Senior Citizens Property Tax Assistance Program should be administered and fully funded by the various counties within the State of Nevada. The counties actually collect property tax with the majority of revenue being distributed to governmental entities within a county, so any rebate should be funded at that level.

Issue:

Although property taxes throughout the State are assessed and collected by counties, the Senior Citizens' Property Tax Rebate Program is currently administered by the State Department of Health and Human Services and the rebates to over 14,000 eligible homeowners and renters are paid from State General Fund revenues. This program was originally created by the 1973 Legislature. This was done in response to an interim study conducted by the Legislative Commission and published in December 1972. The title of the study is "Senior Citizens Tax Relief Study" and the findings included the following: 1) Many senior citizens of this state are carrying an excessive property tax burden, which is disproportionate to their relatively fixed and limited income; 2) To lessen this burden, tax assistance legislation should be enacted; and 11) The program of assistance should be financed by the State.

Finding 11 was probably made because at that time the state was a major direct recipient of property tax revenue. Since that changed as a result of the so-called tax shift in the early 1980s, the funding of the program should be changed.

Start-Up Cost Estimate:

Unknown

Savings/Enhanced Revenue Estimates:

1-Year:

\$5,900,000

5-Year:

\$30,000,000

Explanation:

The Nevada Association of Counties, along with Clark and Washoe Counties, are on record as opposing transfer of the fiscal responsibility for this program to the State's county governments. There is less opposition to accepting responsibility for its administration only. However, the State's counties assess and collect all property taxes throughout the State under existing law. Only seventeen cents per one hundred dollars assessed valuation of those collected property taxes are provided to the State. These State funds are reserved entirely to provide bonding capacity for the State's Capital Improvements Programs and administration of those programs by the State Public Works Board. None of this money is currently available to "refund" property taxes to eligible senior citizens. Meanwhile, Washoe County's general fund, for example, is allocated over \$1.30 per hundred dollars assessed valuation collected from County property owners. Some of that money is collected from the same senior citizens who are eligible to receive rebates and some is collected from the landlords of senior citizen renters who are similarly eligible for rebates. Paying such rebates from State General Fund revenues, administered by State Health and Human Services Department employees, also paid by State General Fund revenues, is anachronistic at best and should be revised to reflect current fiscal and administrative realities.

Recommendation #17

Create a statutory Evaluation and Sunset Commission of not to exceed eleven members, three appointed by the governor, one from his administrative staff and two public members, and a total of eight appointed by majority and minority leaders of each house of the legislature from members of their respective bodies. This commission would make recommendations concerning statutorily created state agencies, boards and commissions regarding duplication of efforts, efficiencies to be achieved and potential elimination of functions. It would also recommend possible elimination, modification or continuance of all statutory tax exemptions, abatements and earmarks. The commission would present its findings to the Governor and Legislative Commission annually.

Issue:

While standard legislative oversight is concerned with agency or commission compliance with legislative policies, Sunset asks a more basic question: Do the agency's functions and statutory tax exemptions, tax abatements or tax earmarks continue to be needed? This proposal would create a unique opportunity for the Governor and Legislature to look closely at each agency, commission or board and make fundamental changes to an agency's, commission's or board's mission or operations if needed. In addition, it offers the opportunity for a planned review to determine the appropriateness of statutory tax exemptions, tax abatement or tax earmarks.

Start-Up Cost Estimate:

Unknown

Savings/Enhanced Revenue Estimate:

Unknown

Explanation:

Sunset is the regular assessment of the need for any non-constitutionally mandated state agencies, commissions, statutory tax exemptions, tax abatements or earmarks to exist. The State needs a formal process and structure to review on a rotating basis every 10 years the requirement for, as well as the policies and programs of, those state agencies and commissions not created by the constitution; to find duplication of other public services or programs; to improve each agency's operations and activities; to examine all statutory tax exemptions, tax abatements and tax earmarks and to evaluate the economic, financial and environmental benefits associated with these public policies. In most cases, agencies, commissions, tax exemptions, tax abatements and tax earmarks under Sunset review are automatically abolished unless legislation is enacted to continue them. The commission would schedule, not less than every 10 years, a review of state agencies, boards and commissions to review activities in accordance with their mission and/or purpose; for duplication with other public services and programs; and for potential ways to improve or modify their operations. The Commission would seek public input through hearings on every agency or commission and every statutory tax exemption, tax abatement or earmark under Sunset review and recommend actions on each to the full Legislature. While there is no precise way to estimate Commission expenditures, savings or enhanced revenues to be achieved in Nevada through this proposal, the comparable Texas Sunset Commission experience over 25 years there has yielded significant revenue savings through the process.

Recommendation #18

All state agencies should review the fees charged for services to ensure the fees cover the costs of providing the services. Fees and costs should be reviewed every two years.

Issue:

There are agency budget accounts for programs that provide services that contain General Fund appropriations as well as authority to receive fees from those to whom the services are provided.

Start-Up Cost Estimate:

None

Savings/Enhanced Revenue Estimate:

1-Year

\$1 Million+

5-Year

\$5 Million+

Explanation:

An example of this is Consumer Health Protection within the Health Division of Health & Human Services, which provides regulatory services for areas such as radiological devices (x-ray machines), food establishment inspections and permitting, solid waste disposal, and so on. For Fiscal 2009 this program has a General Fund appropriation of \$1.077 million. Fee income to this program is \$1.632 million. Therefore, the general public is funding over a third of the cost of services provided to a specific segment of the community.

Fees established to cover the actual costs of the services provided by other programs are also, in many cases, inadequate. This results in all taxpayers funding part of the cost of a service provided to a very small segment of the community. Unless public policy dictates otherwise, fees should be set to cover the actual cost of the service.

Fees should not exceed the actual cost of the service, including reasonable administrative expenses. If fees produce excess revenue, the amount of the fees should be reduced rather than used for other governmental purposes.

Recommendation #19

The State should conduct a detailed inventory of all State-owned real estate and buildings along with a portfolio optimization review of all leased facilities. An appointed task force should then evaluate the uses for all State owned property and appurtenant water rights, including Nevada System of Higher Education and NDOT real estate holdings, to determine the revenue producing potential of disposing of, leasing, trading, sale-leaseback or development opportunities by way of public/private partnerships. Such development might be financed by private equity and debt, tax exempt Certificates of Participation or other alternative means.

Issue:

The State owns surplus real estate that has been acquired for right of way, project expansion or held as a result of previous transactions. The State also leases 1.5 million square feet of space in 212 leases at an annual cost of \$28 million. While the State owns and operates multiple developed real estate properties through various agencies, State real estate operations are now managed by separate entities, including the Public Works Board, Buildings and Grounds and State Lands Divisions, along with others both in and outside the Executive Branch.

Start-Up Cost Estimate:

None Identified

Savings/Enhanced Revenue Estimate:

Available upon completion of Inventory

Explanation:

The US Office of Management and Budget recommends conducting a detailed review of State-owned real property to distinguish performing from non-performing real estate assets. To date, a minimum of fifteen states has conducted such reviews. The results of such review and subsequent implementation of a well conceived real estate strategy can include elimination of unneeded assets consistent with their current market value, improving the condition of mission critical assets, management of mission critical assets at appropriate costs and maximum utilization of retained real property. Under-utilized properties can be disposed of by lease, sale, sale-leaseback or used in trade with private sector developers for public private partnership on other sites and/or incorporation of assets not essential for State ownership but proper for State use. Potential income from such operations is millions of dollars.

Nevada has a good start on assembling this inventory with data available from the State Lands Division and from the Capitol Complex and Las Vegas Master Plans prepared in 2002 and 2005, respectively. It is now appropriate to add vacant property and to perform a comprehensive analysis of State leased space to consolidate operations, eliminate redundancies and inefficiencies and to take advantage of State purchasing power and current market conditions. Annual holding costs, potential revenues available through sale, trade, lease, or development should be identified and specific recommendations provided to the 2011 Legislature, pursuant to appropriate authorizations by the 2009 Legislature.

Private sector consultants assisted the State with previous master planning efforts and should be considered for these activities as well, because the State does not have sufficient internal resources to conduct these inventories and evaluations. The State of Virginia, for example, engaged a nationally known commercial real estate company for an operational review of its real property assets, involving 520,000 acres of land, 11,000 owned buildings and 1,350 active leases. The developed plan focused on consolidating and co-locating agencies into owned and long term leased facilities. It consolidated real estate authority under a single organization responsible for providing and managing all space to all state agencies, allowing Virginia to leverage its buying power as landlord and tenant. Improved and more cost effective facilities management services levels were included and estimated savings over ten years from these recommendations were \$70 million. Such companies may be willing to perform similar services for Nevada for minimal up front costs through contract arrangements which include fee schedules for the sale or lease of any State real estate assets consistent with identified State needs.

Recommendation #20

Design of a distance-based user fee pilot program by Nevada Department of Transportation (NDOT) and the Regional Transportation Commission (RTC) of Washoe County should be supported and funded now. A volunteer pilot program should be initiated in 2011, if feasible.

Issue:

Construction and maintenance of highways and local roads in Nevada are financed mainly by federal and state fuel taxes, which currently total 53 cents per gallon and have not been raised since 1992. Meanwhile, users are traveling more per capita on Nevada's highways, while they are paying for less fuel per capita due to increased fuel efficiency. As the future of Nevada and the nation move towards alternative energy sources for oil independence and the fight against global warming, the fuel tax model will eventually need to be replaced if the highway system is to remain viable.

Start-Up Cost Estimate:		\$250,000
Savings/Enhanced Revenue Estimates:	1-Year:	Unknown
	5-Year:	Unknown

Explanation:

Whether by reduction in supply, increased fuel efficiency or excessive cost of gasoline and diesel, the fuel tax will become a less reliable source of highway revenue in the future. Consequently, NDOT and the Washoe RTC have collaborated to begin a process to change Nevada's highway revenue transportation model. The development of a pilot project to test this model will take about 16 months and will be funded jointly by NDOT and the RTC, using transportation funding available to each. Issues which the study will need to address include available technologies, fee structure, potential partners, funding sources, public support and potential privacy concerns. The project is supported by the University of Nevada which will develop a pilot program protocol which could be implemented over a twelve-month period beginning as soon as the fall of 2011 at a currently estimated cost of \$5 million, the funding of which is to be determined.

There are two primary variables which affect construction, maintenance and operational costs of highways: travel demand and structural demand. Travel demand consists of the number and type of vehicles on the roads. When demand exceeds capacity, congestion results. To avoid new road construction, demand can be spread throughout the day, avoiding peak travel periods. Structural demand is based on the number and weight of vehicles. This distance-based user fee program will seek to address both of these variables. In addition, a major consideration that will be addressed are the privacy concerns and development of privacy protocols necessary to protect the public's interests.

Europeans and some US states have experimented successfully with these new user fees. Oregon DOT's 2006, 12-month pilot program concluded that a mileage fee program is viable using on-vehicle devices and existing technologies, with 91 percent of participants supporting the program and privacy protection possible using certain technologies.

Recommendation #21

Provide State financial support to create a Nevada-oriented marketing and outreach program to supplement the national census advertising campaign.

Issue:

According to the Census Bureau, over \$3 trillion in funding is allocated nationwide based on Census figures. In 2000, the Legislative Counsel Bureau estimated that the state lost \$670 per person per year for every Nevadan missed by the 2000 Census. Recently, the Legislative Counsel Bureau, Nevada State Data Center, and Nevada State Demographer came together to update that figure for 2010. Due to the combined effects of inflation and expanded federal investment returning to Nevada, their collective estimate is that Nevada will now lose \$917 per person per year for every Nevadan missed in the 2010 Census. It is crucial to Nevada’s allocation of federal funding from 2010-2020 that its response rate to the 2010 Census be maximized.

<u>Start-Up Cost Estimate:</u>		\$961,055
<u>Enhanced Savings/Revenue Estimates:</u>	1-Year:	\$15,928,290
	5-Year:	\$79,641,450

Explanation:

The 1990 Census was widely acknowledged to be unsuccessful in the State of Nevada. A limited national partnership program, combined with poor coordination with state and local governments, created antipathy toward the Census and precipitated a substantial undercount of the population. Nevada had the fifth-worst response rate in the nation in 1990 and the manner in which the Census was conducted was viewed as being out of touch with the state's political climate.

In 2000, the Interim Finance Committee of the Nevada State Legislature allocated \$788,400 for a Nevada-oriented marketing and outreach program to supplement the national outreach campaign. The result of this investment was profound: Nevada had the best improvement in census response of any state in the nation. The undercount of Nevada's population, measured by the Census Bureau in 1990 to be 2.30% (sixth-worst in the country) was reduced significantly through this investment. An independent study by Price Waterhouse Coopers measured Nevada's 2000 undercount to be 1.68%, a substantial improvement. The start-up cost estimate, \$961,055, is a comparable investment to the 2000 allocation, adjusted for inflation at 2%.

The 2000 state-specific marketing and outreach campaign, funded by the Interim Finance Committee, included advertising, mailed messaging to explain the benefits of participation, and Spanish-language outreach to select zip codes. The campaign repositioned the Census as being less of a federal mandate and more of a grassroots neighborhood campaign. This approach resonated with the public and substantially reduced the undercount.

The enhanced revenue estimates outlined above are based on the State Demographer's most recent estimate of Nevada's 2010 population: 2,801,551. Adopting a marketing and outreach strategy to keep the undercount at its 2000 level (1.68%) and avoiding a reversion to the 1990 level (2.30%) will result in the inclusion of 17,370 Nevadans in the official Census count. Given the \$917 per person per year figure, the five year benefit to the state's economy amounts to over \$79 million.

Recommendation #22

Reinstate the requirement that Proof of Insurance from a licensed Nevada insurance company be presented to the Nevada Department of Motor Vehicles (DMV) for new vehicle registrations. Pursue programming on the DMV website to facilitate issuance of all temporary Proof of Insurance cards through the DMV website secure server.

Issue:

Nevada's uninsured driver rate is approximately 17-19%. Under previous leadership, DMV eliminated the requirement that proof of insurance cards must be presented for vehicle registrations. Reinstating the proof of insurance card requirement will help reduce the uninsured driver population by half, resulting in increased insurance premium tax revenues. DMV's current project of design and development of a web-based insurance verification program should include creating links with Nevada insurance companies and licensed agents to print proof of insurance cards from a secured DMV website.

Start-Up Cost Estimate:

unknown

Savings/Enhanced Revenue Estimates:

1 Year:

\$4.3 million

5-Year:

\$21.5 million

Explanation:

Nevada currently has 17-19% of its motorists driving uninsured motor vehicles. It is estimated that by cutting the uninsured population by half, the approximately 180,000 additional insured vehicles would generate \$3.8 million annually in additional 3.5% insurance premium tax revenues and further protect Nevada citizens from the uninsured driver problem. The state will also realize savings from reduced uninsured damage to state property and personal injuries paid out to innocent victims of uninsured accidents.

DMV is currently working with the insurance commissioner and industry representatives on design and development of a new web-based insurance verification program. This will replace the existing outdated and problematic system. As part of this effort, provisions could be made to incorporate issuance of all temporary "proof of insurance" cards from the DMV website, similar to what is now being done with smog checks and auto dealer reports of sale. This would give DMV and law enforcement immediate "proof of insurance," even if a registrant forgets to carry the "proof card" in the vehicle or bring it to DMV for registration. It would also eliminate the major part of fraudulent cards and phony insurance policies being sold by unauthorized agents and criminals, a problem experienced in Nevada for years. Although stronger criminal statutory language for this type of fraud was enacted, neither DMV, the Insurance Division nor the Attorney General has had the staff to pursue these crimes.

AB21, currently before the 2009 Legislature, addresses reinstatement of the proof of insurance card policy.

Recommendation # 23

Bulk copies of Driver Instruction booklets should be provided at a cost of \$2 per booklet. License applicants who return for additional drive tests beyond the second try should be charged a duplicate fee in recognition of the additional personnel and administrative time and costs.

Issue:

Demand for printed copies of the Nevada Driver Education booklet has decreased significantly since the material was made available on the DMV website. However, of the approximately 200,000 copies still being printed each year, an estimated 92,000 are being supplied to schools in the state. These schools charge a fee for the instruction and should pay for the cost of the printed booklets. The incidence of repeat attempts to pass the drive test for licensing is significant, particularly for young drivers. Instituting a duplicate charge for this repeated use of the DMV personnel and time is appropriate.

Start-Up Cost Estimate:

None

Savings/Enhanced Revenue Estimates:

1 Year:

\$850,000

5-Year:

\$4.25 million

Explanation:

Although demand for printed Driver Instruction booklets has decreased, the state is still printing and distributing about 200,000 printed copies per year. Bulk quantities – an estimated 92,000 -- of these books are used by driver education schools that charge tuition for this instruction. Bulk copies (more than two) distributed to schools should be provided at a cost of \$2 per booklet. DMV estimates the cost of printing the booklets is \$1 per copy.

A drive test is required of all young driver applicants and some adult applicants. DMV charges \$21.25 for Instruction Permits for drivers under 65 and \$16.25 for 65 and older Instruction Permits. No separate fee is charged for the drive test with a DMV technician. However, a meaningful number of drivers – some estimates run as high as 70% -- fail the drive test and must return for one or more additional drive tests. Instituting a duplicate fee for additional drive tests beyond the second try would help defray the personnel and operating costs. Assuming an incidence of 50% on the retry rate for the drive test, this is, at minimum, over 33,000 repeat uses of DMV personnel on under-65 applicants alone. In checking some other states around the country, it is more common than not to charge for each test, including the first, and driver permit fees are 25% to 55% higher.

Recommendation #24

The State should make statutory changes to the interest rates paid on overpayment of taxes and charged on underpayment of taxes for both individuals and businesses. The State should adopt the index used by the Internal Revenue Service, as adjusted periodically, for businesses and individuals.

Issue:

The State is currently paying 6% interest on tax overpayments it has received and is charging 12% interest on tax underpayments due to the State. This is in excess of interest rates charged and paid by the Federal government, banks and other states. There apparently exists no regular review and adjustment procedure for these rates by the State.

Start-Up Cost Estimate:

Unknown

Saving/Enhanced Revenue Estimates:

1 Year:

Unknown

5 Year:

Unknown

Explanation:

The interest rates paid by the State to its taxpayers, both individuals and businesses, who are entitled to reimbursement for tax overpayments as well as the interest rate charged by the state for underpayment of taxes by individuals and businesses are currently in excess of rates paid and charged by the Federal government and in the private sector. The state currently has no statutory process in place to regularly review and adjust these rates. By aligning the rates charged and paid by the State with the Internal Revenue Service rates for businesses and individuals, the State's interest rates will be automatically adjusted in keeping with an agreed standard.

Recommendation #25

Nevada's Department of Information Technology (DoIT) should implement and maintain an Enterprise Web Content Management System capable of hosting agency Web content and Web based applications, providing a single point of access for Nevada's citizens, while reducing costs.

Issue:

Individual agency Web presence has created a redundancy of personnel tasks and increased costs. By acquiring a Web Content Management system, DoIT will be able to provide State agencies with a complete package supporting all of their needs with no additional charges to them. DoIT can then accommodate the approximately 160 State-sponsored Web sites not currently being serviced by its Web Group, while maintaining its service to the 157 existing Web sites that are currently serviced by DoIT.

Start-Up Cost Estimate:

\$76,500

(Enterprise Web Content Management System software)

Savings/Enhanced Revenue Estimates:

1 Year

\$500,000

5 Year

\$1,500,000

(Cumulative savings as all state agencies switch to DoIT)

Explanation:

DoIT currently supports 157 State agency Web sites. In order to properly support current customers and have the capability to accept new State customers, DoIT's Web Group needs to update current technology by acquiring a Web Content Management system.

The tool used currently by various Nevada agencies in Web development and maintenance is outdated and is no longer supportable. In order for them to achieve the necessary enhancements, they must be acquired outside DoIT's services. Accordingly, 500 new licenses for these services would need to be purchased at a cumulative State expense of \$200,000, which does not include the cost of training to use the software. As the proposed DoIT Web Content Management system is an Enterprise system, there is no additional cost for individual licenses or any other software needed by using organizations.

Purchasing this Web Content Management system will provide the State with leading edge technology to build a much needed State portal with a consistent look and feel for all State sites. It will improve workflow, increase version control and approval authorization levels, provide better Web authorizing tools, help integrate Web services, promote Web site personalization and provide Web site consistency throughout State Web sites.

Recommendation #26

Establish a common email platform for all Executive Branch Agencies.

Issue:

When the UNR Center for Research and Design, a Nevada State entity, conducted a SAGE email survey of 17,000 State Executive Branch employees, it was able to reach only 13,777 of them after repeated attempts. One agency's email Spam protection prevented that entire agency from participating. Collaboration technologies link people, processes, and information within and across organization boundaries and are most effective when implemented using an enterprise approach. With multiple email systems, economies of scale, centralized collaboration, and functionality are lost, while hardware and software costs are excessive.

Start-Up Cost Estimate:

\$6.49 per
additional user per month

Savings/Enhanced Revenue Estimates:

1 Year

\$150,000

(based on adding 2,000 users each year)

5 Year

\$750,000

Explanation:

Analysis indicates that regardless of the choice of email platform, the cost per user decreases as the user count grows. These economies of scale allow provision of additional services to user agencies without significant impacts on the overall cost of services. Through cooperative partnership with Nevada agencies, the Department of Information Technology is able to deploy value added services to the existing email environment such as:

- Common Address Books, which allow users to simply enter names rather than addresses when sending emails;
- Enhanced security through provision of the best anti-Spam and anti-Virus solutions available and by providing email service internally, rather than having an outside vendor house sensitive data;
- Shared calendaring and appointment scheduling, enabling users to schedule meetings without having to contact participants ahead of time; and,
- Provision of web access to every mailbox, enabling users to check email 24x7 from anywhere in the world.

Creation of collaboration systems based on broader, enterprise considerations is more likely to produce adaptive business solutions. Although point solutions for localized workgroup collaboration may provide improved user productivity, enhanced benefits can be realized through widespread integration into processes, workflow, and applications. Effective use of collaborative technologies provides a high degree of transparency by hiding the complexity of any underlying technologies in favor of accomplishing the business objective. Other services and enhancements possible in a common e-mail platform include:

- Centralized Scheduling of Resources
- Public Folders
- Fault Tolerant Mail Services
- Secure Wireless Email
- Instant Messaging / Audio/Video Conferencing & Collaboration possibilities

Recommendation #27

Nevada should significantly improve its State level energy conservation efforts by enforcing its existing energy conservation plan and revising that plan consistent with 2009 organizational, financial, statutory and technical realities.

Issue:

The Nevada Energy Conservation Plan for State Government was announced by the Governor in April, 2001. This plan tasked each agency of a department or a commission with writing, updating, and implementing an internal energy conservation plan. Several agencies were also assigned as coordinating agencies. No agencies received funding or manpower to implement or coordinate the plan. Agencies that were assigned monitoring responsibility did not provide monthly reports. Each department or commission was also asked to provide a semi-annual status report and an annual revision to their plan. Reports required under the Plan were not consistently provided, evaluated or centrally stored. Under 2009 NRS, the responsibility for energy conservation now rests with the Renewable Energy and Energy Efficiency Authority, Buildings and Grounds, Public Works Board, and the Purchasing Division. In FY2008, State buildings consumed 253.3 million KWH of electricity at a cost of over \$25 million.

Start-Up Cost Estimate:

Unknown

Savings/Enhanced Revenue Estimate:

Not available, but significant in other governments

Explanation:

To achieve significant savings through energy conservation efforts, Nevada State government should:

1. Revise, clarify and enforce its Energy Conservation Plan by incorporating new programs approved by the Governor and the 2009 Legislature and by resolving statutory duplications between NRS 331 and 701, as well as other NRS created by SB 358 and AB 522 of the 2009 Legislature.
2. Use federal energy conservation block grants under the Federal American Recovery and Reinvestment Act (ARRA) (stimulus funds) to seed sustainable programs and put in place long-term funding mechanisms such as revolving loans and energy savings performance contracting. Nevada expects to receive \$34.7 million in such funds in four installments and proposes to use \$7 million of that for energy efficiency retrofits of State buildings, working with NV Energy under various DOE restrictions. AB 522 was enacted and authorizes creation of an ARRA revolving loan fund for renewable energy, energy efficiency and energy conservation.
3. Take full advantage of the State Board of Examiners approved contract with LPB Energy Consulting to cut utility bills and potentially save \$6 million by 2013. LPB will capture and analyze utility data, helping State agencies reduce total energy cost and consumption. NDOT, Buildings and Grounds and Department of Military will participate in an initial pilot program.
4. Apply for NV Energy Fort Churchill Generating Area (Carson City) Sure Bet commercial retrofit projects through December, 2009, and other Sure Bet incentives to maximize acquisition and use of remote mounted occupancy sensors in existing facilities and in capital improvement projects.
5. Consider immediate savings opportunities like turning State computers off completely when they are not in use. Other governments and private sector businesses are achieving major savings in this way.

Recommendation #28

Request appointment of an Interim Legislative Committee to study the Public Works process.

Issue:

The complexity and costs of the Public Works process are enormous. This process is criticized by most outsiders as causing capital projects in Nevada to cost far more and to take much longer to complete than necessary.

Start-Up Cost Estimate:

Unavailable

Savings/Enhanced Revenue Estimate:

Unavailable

Explanation:

Although they are routinely and energetically defended by Public Works Board insiders, most other Nevadans familiar with the building industry believe that Nevada's capital construction process is counter-productive in a variety of ways. Only a thorough study by legislators, who can then take necessary corrective action, is likely to resolve these differences of opinion.

Recommendation #29

Nevada Revised Statute (NRS) 408 regarding design-build contracts should be expanded to allow both an increased number of such projects per year and a significantly lower dollar threshold limit on such contracts.

Issue:

The existing NRS is both unclear and overly restrictive regarding design/build contracts. Such restrictions and lack of clarity prevent the State from taking full advantage of the cost effectiveness of such contracts for certain construction projects.

Start-Up Cost Estimate:

Unknown

Savings/Enhanced Revenue Estimate:

Unknown

Explanation:

NRS 408.388 states, under subsection 2: “once each fiscal year, contract with a design-build team.” The attorney General’s office has interpreted this language to restrict such contracts to one per year. The NRS also requires that the estimated cost of the design-build project must exceed \$20 million, along with certain other restrictions. This language needs to be expanded to raise the number of contracts allowed. NDOT and others recommend that the dollar threshold be lowered significantly. All such contracts would have to meet other NRS qualifications for a project. None of these changes is intended to prevent smaller contractors and teams from bidding on any NDOT or other State contract under design-bid-build processes or to restrict their participation in design-build team bidding.

Recommendation #30

In connection with SAGE Commission Recommendation #18 — review of costs and fees — included in the December 31, 2008 Report to the Governor, the following definitions should be adopted.

Fee: A charge made to recover the cost of operating the program or providing the service, including indirect cost (overhead). A fee shall not be used for any purpose other than the actual direct and indirect cost of the program or service being provided to the end user.

Cost: Direct cost of the program or service plus its allocable portion of indirect cost. Direct costs are those that can be identified specifically with a particular final cost objective. Indirect costs are those: (a) incurred for a joint or common purpose benefitting more than one cost objective; and (b) not readily assignable to the cost objectives specifically benefitted without effort disproportionate to the results achieved. *(from OMB Circular A-87)*

Issue:

When fees are set for a particular product or service, it is important that a consistent approach be taken in arriving at the amount of the fee.

Start-Up Cost Estimate:

None Identified

Savings/Enhanced Revenue Estimate:

Unknown

Explanation:

These definitions will ensure that the same methodology is used to establish the amount of fees, both between the various departments of state government, and over a succession of years.

Recommendation #31

Authorize the Department of Corrections (DOC) to establish an intermediate sanction facility for certain probation violators and offenders, who are determined to be substance abusers. Substance abuse treatment is to be provided by the Department of Health and Human Services (HHS).

Issue:

The cost of incarceration in Nevada prisons is approximately \$22,000 per year per inmate. Alternative sentencing programs and specialty courts in Nevada communities have proven to be most successful in keeping certain non-violent offenders out of its expensive prison system.

Start-Up Cost Estimate:

\$6 million

Enhanced Savings/Revenue Estimates:

1-Year:

\$51.2 million

5-Year:

\$280 million

Explanation:

This recommendation, initially proposed as Senate Bill 398 in the 2009 Legislative Session, would establish intermediate sanction and detention facilities to provide treatment for substance abuse issues under court order. It would be used for alternative sentenced offenders, probation and selected parole violators. Substance abuse treatment would be provided by HHS, while offenders were under DOC control. Treatment and detention costs would be borne by the offenders to the extent they are able to pay. Courts could order community service for those determined to be unable to pay. Upon successful completion of mandated treatment and other court orders, courts could set aside the conviction of an offender or return a probation or parole violator to probation or parole.

DOC will implement a pilot program from existing resources initially modeled on Hawaii "Hope Courts" to determine how such facilities should be administered and operated. Among issues to be evaluated in the pilot program are actual costs, levels of patient control, recidivism rates, treatment options and time lines. Depending on levels of patient control ordered by the courts and the health status of each individual involved, federal Medicaid dollars could be leveraged to provide some of this treatment.

Cost estimates for this recommendation are based on existing annual estimates of alternative sentence adjudications and probation violators along with recidivism rates for these types of offenders. The pilot program will establish more accurate cost and savings estimates.

Three sworn Washoe County Sheriff Alternative Sentencing Supervisory Officers and a single Case Manager currently monitor 400 offenders there. Clark County currently has Alternative Sentencing programs only in certain judicial districts. Follow-on treatment mandated by the court is, therefore, sporadic and difficult for offenders, supervisory officers and treatment providers. The District Courts, parole and probation authorities have little ability to transition, lodge or sanction violators. An interim sanction facility could provide a viable treatment option for these probationers, parole violators and other offenders.

Recommendation #32

Nevada's information technology future should be defined through a comprehensive strategic planning process organized and developed by the State Information Technology Advisory Board (ITAB). Implementation of the resulting plan should be monitored, measured, and evaluated by a project manager separate from ITAB and the Department of Information Technology (DoIT).

Issue:

Nevada's information technology infrastructure, enterprise architecture, and facilities have been allowed to evolve over many years absent any overarching planning process. Centralization of key elements, like a common email platform and an enterprise web content management system, is being implemented without reference to any broader strategic objective than centralization itself.

Start-Up Cost Estimate:

Unavailable

Savings/Enhanced Revenue Estimate:

Unavailable

Explanation:

The ITAB reports to the Governor and is supposed to meet quarterly. It has not met in two years. It should be reconstituted for the specific purpose of creating, in coordination with strategic planners in the Department of Administration, a cost effective Information Technology Strategic Plan for Nevada. This process should include, but not be limited to:

A Vision of Nevada's Future (2020-2025)

Nevada's Strategic Goals

DoIT's Strategic Goals

- Enable the State to focus on its business because information technology is as ubiquitous as electricity.
- Provide customized, integrated, full-service online government to all Nevada citizens.
- Develop and maintain the technology to help Nevada businesses to grow along with its population.
- Know how technology is being used for Nevada and maintain transparency about such use.
- Become a conduit among all information assets to promote, leverage and value-add sharing.

DoIT's Objectives

DoIT's Initiatives

DoIT Technical Model

DoIT Data Models

Recommendation #33

Change the Interim Finance Committee (IFC) oversight thresholds as follows:

- A) Whenever a request for the revision of a work program of a department, institution or agency in an amount more than \$50,000 would, when considered with all other changes in allotments for that work program, increase or decrease by 10 percent or \$110,00, whichever is less, the expenditure level approved by the legislature. (NRS 353.220.4)**
- B) For gifts and non-governmental grants exceeding \$25,000 each and governmental grants exceeding \$225,000 each and any grant that involves new employees. (NRS 353.335.5a and 5b)**
- C) Specifically exclude revision of work program requests for balance forward funds and/or authority to the subsequent fiscal year where legislative authority exists and with no change in purpose; and de-augmentation of expenditure authority from any additional IFC approvals. (NRS 353.220.5 ADD 5d), d(i) and d(ii))**
- D) The legislature shall review and adjust these amounts every six years. (NRS 353.220.5 ADD 5e.)**

Issue:

In open-ended responses to a survey conducted by the SAGE Commission, State employees uniformly criticized the IFC process as politicized and expensive. The investment of human resources required to apply for changes at the existing thresholds, set over 10 years ago, is out of proportion to amount of the requested changes. In order to cut down on this waste, they recommended raising the IFC oversight threshold to levels more relative to the dollar amounts of current budget totals and government and non-government grants. Former State Budget Directors have made the same recommendation.

Start-Up Cost Estimate:

Unavailable

Savings/Enhanced Revenue Estimate:

Unavailable

Explanation:

Work program changes and acceptance of grants and gifts must first be approved by the Governor.

In addition, existing NRS require that work program changes and acceptance of gifts and grants be submitted to the IFC for advance approval at the following thresholds:

- Whenever a request for the revision of a work program of a department, institution or agency in an amount more than \$20,000 would, when considered with all other changes in allotments for that work program increase or decrease by 10 percent or \$50,000.
- For gifts and grants from nongovernmental sources, not to exceed \$10,000 and governmental grants not exceeding \$100,000 each in value.

These thresholds were established over ten years ago and have not been adjusted for inflation or current fiscal realities.

The new threshold levels in this recommendation were calculated by applying population growth and CPI factors to the amounts set by the Legislature in 1997, as found in the provision that limits Budget growth.

Recommendation #34

Revise language in NRS 242.131 so that State agencies, boards, and commissions in the Executive Department are not exempt from using Nevada Department of Information Technology (DoIT) professional services except for those infrastructures, enterprise architectures, facilities and personnel required for control of the specialized mission of the enterprise.

Issue:

By allowing blanket exemptions, a proliferation of enterprise services has been designed, built, and deployed throughout the State. Agencies have created competing infrastructures and sourced enterprise services unrelated to their specialized missions, creating unnecessary expenses to the State that would have been avoided by using existing DoIT-provided services or solutions.

Start-Up Cost Estimate:

Not Available

Savings/Enhanced Revenue Estimates:

Savings would be derived from the removal of redundant systems, including duplicate hardware, software and IT staffing assigned to these duties at the applicable agency, board or commission, which are not unique to the mission requirements of that specific enterprise. Estimates would be determined by the agency, board or commission affected, based on the level of duplication which would be avoided through support provided by the DoIT.

Explanation:

One of the many mandates for the Department of Information Technology as described in NRS 242.071 is “to prevent the unnecessary proliferation of equipment and personnel among the various state agencies.” This proposal is designed to accomplish that goal by removing exemptions in NRS 242.131 from DoIT-provided services which are neither unique to nor required by the mission of the agency, board or commission involved. This change will eliminate the proliferation and duplication of IT equipment and personnel that currently exist in various state agencies, boards, and commissions across State Government for purposes which are not unique to the enterprise involved.

DoIT would be responsible for collaborating with all State agencies, boards, and commissions to eliminate redundant or duplicate enterprise services or solutions, eliminating waste and reducing overall State expenses, while allowing these entities to maintain control over infrastructures, enterprise architectures, facilities and personnel critical to accomplishment of the unique mission of that agency, board or commission.

Recommendation #35

Solicit recommendations for a common telecommunications platform for all Executive branch State agencies and invite the Judicial and Legislative branches, Constitutional Officers, the Nevada System of Higher Education (NSHE), and cities and counties throughout the State to participate.

Issue:

Currently, each State agency uniquely supports and maintains individual telecommunication systems. The State could realize significant savings in operations, maintenance and support by further expanding the use of its existing voice over internet protocol (VoIP) fiber backbone, by employing open source VoIP solutions or by outsourcing to an external vendor.

Start-Up Cost Estimate:

Unavailable

Savings/Enhanced Revenue Estimates:

Unavailable

Explanation:

With each State agency responsible for purchasing, maintaining, and supporting its individual telecommunication systems, economies of scale are lost, increasing overall State expenditures. Analysis indicates that the cost per user decreases as the total user count grows with economies of scale. Through cooperative partnerships with Nevada agencies, the Department of Information Technology (DoIT) has reduced telecommunication costs by deploying a common VoIP fiber backbone that most agencies are using. However, more extensive use of this backbone by State agencies will reduce overall State telecommunication systems costs.

One possibility is outsourcing these systems to an external vendor. Outsourcing has the potential to enhance the user experience with more support for current and future technologies like Unified Communications (UC) and VoIP while further reducing overall State expenses. UC is the ability to integrate communications and collaboration in a rich, multimedia experience that can include unified telephony, voice, video, telecommuting, instant messaging, web conferencing, e-mail, voice mail, whiteboards, and business applications, allowing for increased employee productivity. There also exists a wide variety of other VoIP options which should be considered, including open source VoIP solutions.

The State should proceed with a request for information (RFI) to outline the best solution(s) and follow up with a request for proposals (RFP) to determine and compare the implementation costs and overall long-term savings to the State of the various options available. Other government entities that have migrated to VoIP technology have engaged outside vendors to prepare RFI and RFP.

Recommendation #36

Explore the possibility of an exchange of Ely State Prison and Lovelock Correctional Center to companies that specialize in private corrections in return for construction of similar facilities located within existing large population centers to be determined by the Board of Prison Commissioners.

Issue:

Currently, Ely State Prison and Lovelock Correctional Center are located in rural areas of the State which results in much higher operational costs than the other major corrections facilities in Nevada. While abandonment of these existing facilities could prove to be an economic hardship for the communities and the staff involved, their exchange would guarantee ongoing economic benefits to the rural communities, while simultaneously allowing the State to reduce Department of Corrections (DOC) operational costs and to provide more efficient and effective facilities.

Start-Up Cost Estimate:

None Identified

Savings/Enhanced Revenue Estimate:

No estimates are available at this time.

Explanation:

Nevada experiences significantly higher Department of Corrections operational costs in the rural communities of Ely and Lovelock. There are inadequate hospitals in the communities and the offenders are far away from the courts that will evaluate their appeals and petitions. Thus, medical care, legal costs, transportation and personnel costs are higher than similarly sized facilities located near the major population centers. Additionally, the Department experiences a “boom, bust” cycle of employment, depending on how well the mining industry is doing in those rural locations. Consequently, there are greater costs associated with commuting, overtime and staffing of vacant positions. In addition, visiting opportunities are lower and there is a great amount of literature that suggests family support and ongoing ties reduce future recidivism.

This proposal is to explore the possibility that private correctional companies might be interested in obtaining these prisons in Nevada. In exchange, Nevada would request that the private company construct similar prison space in more centralized locations in the State that would be more cost effective for the DOC. Private companies have demonstrated an ability to construct facilities more rapidly, at lower costs while using the latest technology. In addition to the simple exchange, it is recommended that if such an agreement could be reached, Nevada would have the first right of refusal for any available private bed space should any unexpected DOC population crisis occur, which has happened before.

There are a number of advantages to a private company that further support this course of action. Privatization of prisons continues to expand in the United States and this proposal could result in an economic diversion that would benefit both State government as well as the rural communities in question. This proposal could also allow the State to modernize facilities at minimal or no cost to the General Fund.

Recommendation #37

The Department of Corrections (DOC) should issue a request for proposals (RFP) to evaluate the costs and benefits of privatization of inmate medical and mental health care and the provision of pharmaceutical services.

Issue:

The cost of incarceration in Nevada prisons is approximately \$22,000 per year per inmate. One of the largest components of that inmate cost is providing medical care. DOC is responsible for investigating alternatives to provide a sufficient minimal level of inmate care to meet constitutional standards at a reduced cost to the State.

Start-Up Cost Estimate:		\$25,000
Savings/Enhanced Revenue Estimates:	1 Year	\$4.5 million
	5 Year	\$24.1 million

Explanation:

In 1995, DOC privatized medical/mental health care at the Ely State Prison and Conservation Camp, which represented 15% of the total inmate population in Nevada. This privatized care was provided at a lower per inmate cost than for the rest of the system. During the period 1995-2000, prison medical care costs were reduced at Ely while no litigation costs for the State were incurred there. Currently, Clark and Washoe Counties, Las Vegas, North Las Vegas and Henderson outsource private medical care for their jails from four different providers. Prison medical care should involve economies of scale, since the Nevada prison system is so much larger than these county and city jails.

Nineteen states have entirely privatized inmate health care, with the two largest providers currently serving over 375 sites and 350,000 inmates. These companies indemnify their state clients for all litigation and losses. This does not mean that there will be no litigation naming the state or its DOC. It means that the contracted company will defend such suits and pay the prevailing party for any losses incurred. There are currently significant litigations involving Nevada DOC medical care, exposing the State to over a million dollars in losses and possible mandates for care from federal courts.

Medical cost containment is critical in every medical delivery system, but it is particularly important in corrections. In the face of dwindling resources, Nevada has the following choices: 1) continue to run the operation itself; 2) Develop a relationship with other public services like the State Department of Health and Human Services (DHHS) to run the system for DOC; 3) contract with a private company that has particular experience in correctional healthcare; 4) allow existing State employees to match private provider contract terms.

This proposal is for the DOC to issue an RFP or an RFI to compare these three choices so that a rational and cost effective method of health care delivery can be selected. Some of the benefits to look for in the comparison of costs between private medical and government operated medical are: 1) an immediate reduction in State personnel costs; 2) a reduction in the future liability of the PERS retirement system; 3) an immediate reduction in the State cost for PEBP benefits; 4) a reduction in personnel supervision workload by the agency; 5) a reduction in the cost of litigation for the DOC and the Attorney General, as well as reductions in the legal liability exposure to staff; 6) a reduction in the cost of contract nurses; 7) a reduction in the cost of pharmaceutical expenses; 8) an increase in the professional experience in the medical staff on site; 9) an increased level of care to inmates at a reduced cost; 10) Accreditations from the American Correctional Association and the National Commission on Correctional Health Care at no cost to the State, which are not currently awarded under the State operated system.

The State is not bound to accept a bid based on any RFI or RFP, but the information provided should be ready for inclusion in 2011 DOC medical budget preparations.

Recommendation #38

Require directors of cabinet level departments to establish and implement cross training programs for their employees where feasible and practical, within a reasonable time. The goals of any such program should be to 1) help meet peak workloads and improve operational efficiency; 2) offer job enrichment opportunities; and 3) reduce costs by reducing use of outside contracts and/or overtime.

Issue:

Open-ended responses to the SAGE survey of State employees indicated a widespread desire to participate in cross training programs. With budget and other fiscal constraints requiring employee furloughs and increasing use of alternative work schedules, management at all levels has considerable incentive to accommodate this desire.

Start-Up Cost Estimate:

Unknown

Savings/Enhanced Revenue Estimate:

Unknown

Explanation:

Cross training is integral to effective succession planning and allows others to fill in when someone is ill or on vacation and during peak workload periods. Cross training is occurring in a sporadic, informal manner across State government thanks to the initiative and professionalism of State employees. It should be formalized.

There is no cookie cutter approach to cross training since it often is peculiar to the specific functional area or job involved. Each department director should be encouraged to adapt cross training programs which do not violate existing job description or classification restrictions to the nature of the work or services provided by the subordinate work units of the department involved.

Discussions with certain agency directors indicate that there are opportunities both within and between departments for cross training. Potential interagency cross training opportunities include the eligibility staffs in Health and Human Services (DHHS) and in the Employment Security Division of the Department of Employment Training and Rehabilitation (DETR), as well as collaboration between the Department of Transportation's Right of Way staff and personnel in the divisions of State Lands and Water Resources of the Department of Conservation and Natural Resources.

These discussions also identified a number of obstacles to cross training. These include restrictions on "out of class" work (16 hours) without compensation, the current employee evaluation system, the current position control number system, and the lack of communication and coordination of sharing opportunities within and between departments. These obstacles should be addressed and mitigated where possible.

Recommendation #39

The Nevada Department of Transportation (NDOT) should perform a detailed analysis and review of all of the existing NDOT maintenance stations throughout the State with a view to eliminating some stations and consolidating others.

Issue:

There are 45 NDOT maintenance stations across the State, an average of one every 56 miles along Interstate 80 and US Highways 50 and 95. Most of these stations were established before these roads became the modern systems they are today. There are thirty-five rural maintenance stations with only six of these employing over eight persons each. Just to maintain these smaller stations costs an average of \$63,000 per year, not counting salaries and benefits.

Start-Up Cost Estimate:		\$100,000
Savings/Enhanced Revenue Estimates:	1 Year	\$650,000
	5 Year	\$4,400,000

Explanation:

This proposal envisions that a study of existing maintenance stations statewide would allow for the elimination or consolidation of at least twenty-five percent of the smaller, rural stations. Maintenance budgets in most states have been cut. Although states are attempting to maintain adequate response times for weather-related road maintenance issues, particularly snow removal, they are also trying to do so with fewer employees. They are also dropping levels of service in aesthetic areas of service like litter removal and mowing.

NDOT needs to review its rural area road maintenance practices, particularly the placement and manning of maintenance stations in view of ongoing fiscal realities, the enhanced capabilities of the equipment used, the nature of the roadways being maintained and the seasonal nature of the need for smaller, outlying stations. Perhaps temporary seasonal maintenance outposts could be created using equipment and personnel from the larger remaining stations whose mowing and litter removal requirements would be curtailed during the winter months, anyway.

Recommendation #40

The Nevada Department of Transportation (NDOT) should commission a study of the costs and benefits associated with providing roadway maintenance by NDOT maintenance crews compared to outsourcing the same maintenance activities and develop decision factors for outsourcing such maintenance.

Issue:

NDOT currently owns large amounts of construction equipment to accomplish roadway maintenance which it has historically performed. In order to amortize the costs of owning and maintaining this equipment inventory and because it allows the Department to perform other construction and maintenance tasks at nominally lower costs, it seeks to put available equipment and personnel to work on projects which could be cost effectively outsourced. Such outsourcing would allow NDOT to reduce its equipment inventory and some personnel, thereby saving the costs of acquiring and maintaining unnecessary equipment along with significant personnel expenses.

Start-Up Cost Estimate:

Not available

Savings/Enhanced Revenue Estimates:

Not available

Explanation:

NDOT owns and maintains thousands of pieces of equipment. It has 1464 small vehicles and trucks for 1750 employees. It owns large motor graders, medium to large dozers, grinders, milling machines, distributor trucks, radial stackers and conveyers, all of which are more associated with road construction than with road maintenance. This proposal is to help NDOT develop decision factors for determining whether and when to outsource maintenance projects which would allow it to divest itself of large amounts of this expensive and problematic equipment. It seeks to allow NDOT to avoid costly competition with Nevada's large, diverse and cost effective private sector road construction industry.

Some of the decision factors such a study should address are:

- emergency and immediate maintenance responses, like snow removal.
- short term repairs of limited scope like damaged guard rails, potholes and drainage.
- large scale rehabilitations like chip sealing, or large scale contracts like district wide culvert cleaning.
- paving and striping where contractors generally have equipment and expertise.
- contractor availability, depending on the geographic area involved and mobilization requirements.
- time sensitivity. Except for emergencies, NDOT contracts take 6-9 months to develop, timelines which should be thoroughly analyzed in any study.
- cost factors.

Recommendation #41

Create a communication structure, managed by a Nevada State Grants Coordinator, to facilitate dissemination of grant application opportunities and collaborative application efforts between agencies, county and local governments and non-profits, and identify a resource pool of experts and grant writers to support agencies in preparing applications. Create Grant Writer positions in selected state departments based on availability of grant opportunities.

Issue:

On a per capita basis by Federal Agency, Nevada is ranked 50th in the U.S. Census Bureau report on *Federal Aid to States for Fiscal Year 2008*. Another Census report shows Nevada's per capita return on each federal tax dollar, as a percent of U.S. per capita levels, at .75 compared with .95 for states in the West Region. For grants alone, Nevada's return is .65 compared with 1.06 for the West Region. To ensure that Nevada is getting its share of federal funding, the state should create a structure to assist personnel in various agencies in this process. Currently, a significant number of opportunities for federal funding are not pursued because of inadequate availability of grants writers and a lack of communication structure among state agencies and with county, local and non-profit entities. The creation of a communication structure, the addition of a state Grants Coordinator and as many as four grant writer positions will strengthen the state's ability to pursue funding and increase the ability of agencies to partner with each other and with outside entities. The return on this investment is estimated at a 3% increase in federal grant funding in year one and a 10% increase by year five.

Start-Up Cost Estimate:

\$450,000

Savings/Enhanced Revenue Estimates:

1-Year:

\$93 million

5-Year:

\$310 million

Explanation:

The key to success of central Grants offices in other states is communication. This works in three ways: 1) Having designated personnel who track and distribute information on funding opportunities that match state programs; 2) Coordinating application efforts among state departments, agencies, and non-profit organizations; 3) Developing and maintaining communication channels for personnel in the state who are responsible for writing applications.

The communication structure to be developed would include the following: 1) Creation of a State Grants Coordinator position, likely in the Budget Office; 2) Each state department, agency and division designates a key contact for grant information and establishes a communication network to the key contact within the agency; 3) A resource pool of existing and retired state workers is identified for subject-specific consultation and assistance with grant applications; 4) A public grants information website listing contacts, resources, grants that have been awarded to the state, grant opportunity notifications, and research data links; 5) Grant Writer positions should be added in the Department of Human Services and other state departments based on availability of grant opportunities; 6) Master Service Agreements (MSAs) should be established with outside grant writing contractors for access by agencies on a needs basis with a fund established for payments; 7) Agreements with Nevada's Higher Education System should be established to provide grant writer interns to state agencies; 8) Opportunities for free training from federal entities should be pursued; 9) Interim Finance Committee thresholds for accepting governmental grants should be raised, per SAGE Commission Recommendation #33.

Recommendation #42

Undertake a pilot project at one or more agencies to implement changes in Nevada’s budget system. The pilot project should present, in the agencies selected, a program budget with clear performance evaluation criteria. The program budget should include funding in broad expenditure categories, as opposed to the three-part line item objects of expenditure, and measurable expected results at that level of funding should be included. The program budget can be presented with, or instead of, the traditional line item budget.

Issue:

Nevada’s current budget system is flawed in several important respects: 1) The incremental funding approach (base + maintenance + enhancements) offers no practical way within a short legislative session to critically review basic expenditures. The majority of the time is spent considering add-ons. 2) The performance measures included are, for the most part, ignored for purposes of making funding decisions. 3) Line item budgeting focuses attention on the details of the budget instead of the anticipated results of the program

Start-up Cost Estimate:

Unknown
(minimal)

Savings/Enhanced Revenue Projection:

None
(will improve effectiveness)

Explanation:

A program budget would be structured in a results-oriented way with funding based on tasks to be accomplished provided in flexible categories instead of inflexible, object-of-expenditure line items. Performance evaluation criteria must be developed for all programs.

Budgeting decisions would be based on a review of performance evaluation data from the previous budget cycle instead of just starting with the last cycle’s budget and adding on for increased workload, inflation, etc. The “base” budget would be subject to a review each cycle at the program level, not the line item or category level.

Recommendation #43

A method of establishing budget funding priorities based on different levels of expected revenues should be adopted.

Issue:

Lack of funding priorities developed during the construction of the budget leads to across-the-board type cuts when revenues come in below forecasts. This results in critical programs being reduced to the same extent as non-critical programs. Reductions in critical programs may become necessary eventually but non-critical programs should be reduced or eliminated first.

Start-Up Cost Estimate:

Unknown
(minimal)

Savings/Enhanced Revenue Estimate

None
(directly)

Explanation:

Priority funding budgeting would require the Governor and then the Legislature to establish program funding priorities each budget cycle. The priorities would be grouped into broad bands (or “buckets”), for example, A, B and C. Band A priorities would include critical services that should be funded if at all possible. Band B would include services that the Governor and Legislature would like to fund if revenues are available. Band C would include programs to be funded if revenues exceed expectations.

The State must collect enough revenue to fund all programs in Band A before Band B can be funded. All of Band B must be funded before the Band C items. Since the A Band is a conservative level of funding, it has a very high chance of being reached. The B Band has a lesser chance, and so on, with the last Band usually not being funded unless the economy well outperforms forecasts.

This process allows priority setting each biennium and provides an orderly process for cutting if the economy experiences a downturn. The State of Arkansas has successfully used such a priority funding system since 1945.

Recommendation #44

Increase efforts to reduce costs for prescription drugs in the departments of Health and Human Services and Corrections by continuing ongoing programs and investigating new initiatives.

Issue:

The State of Nevada spends over \$126 million per year on prescription drugs through its Medicaid, Mental Health, Corrections and other programs. The costs of these drugs have increased historically at a rate significantly higher than inflation. If these costs could be better controlled then significant savings could be realized.

Start-up Cost Estimate:

Unknown

Savings/Enhanced Revenue Projection: 1 Year \$5.1 million*

**Based on increased usage, to 50%, of generic anti-psychotic drugs only.
Estimates are not possible on other elements of this proposal.*

5 Year \$27.8 million*

Explanation:

Reductions in drug costs are possible by pursuing initiatives in several areas as indicated below:

- 1) Continue efforts by Department of Health and Human Services to qualify for special pricing available under The 340B Drug Pricing Program of Public Law 102-585, the Veterans Health Care Act of 1992. Indications are that Medicaid, Mental Health, and Corrections are excluded from this pricing. However, mental health patients, and perhaps others, may become eligible through federally qualified health centers.
- 2) Expand efforts, including review of NRS restrictions, to maximize use of generic drugs. The percent of generic drugs used is very high for most kinds of drugs. The exceptions are anti-psychotic and some anti-depressants. Since the cost of generics can be 20% to 40% of the cost of brand name drugs, efforts should be made to use generics where appropriate.
- 3) Although State Purchasing has been able to hold down Nevada's costs with very advantageous pricing it obtained through a multi-state purchasing consortium, the other consortia in existence, and there are several, should be reviewed periodically to ensure best pricing.
- 4) Ensure that both quantity and dosage limits are in place to minimize waste.
- 5) Investigate the effect on drugs costs overall if other governmental entities within the state such as public hospitals and the Public Employee Benefits Program combined their purchasing power with the state.
- 6) Ensure that care coordination (case management and prescription management) is maximized to increase effectiveness of treatment and minimize waste.