

SPENDING AND GOVERNMENT EFFICIENCY COMMISSION

(SAGE Commission)

Tuesday, August 19, 2008 – 10:00 a.m.

University of Nevada Reno - Joe Crowley Student Union Building

3rd Floor, Senate Chambers Room

1664 North Virginia Street, Reno, Nevada

MINUTES OF MEETING

Present: Bruce James (Chairperson), Don Ahern, Barbara Campbell, Robert Feldman, Robert Forbuss, Randy Garcia, David Goldwater, Stephen Greathouse, Steven Hill, Jan Jones, Howard Putnam, Jerry Snyder, Jim Thornton, Carole Vilardo

Absent: none

Also present: Frank Partlow (Executive Director), Perry Comeaux (Deputy Director), Suzanne Kilgore (General Manager), Pamela Fox/Quinn Reid (to take Minutes)

I. CALL TO ORDER/ROLL CALL/DETERMINATION OF QUORUM

Chairperson James called the meeting to order at 10:17 a.m. Roll call was heard and a quorum of fourteen Commission members was determined.

II. APPROVAL OF MINUTES FROM JULY 24, 2008 MEETING

Randy Garcia moved to approve the July 24, 2008 meeting minutes. David Goldwater seconded the Motion. Motion carried unanimously.

III. REVIEW OF FORMATION AND TIMELINES OF TASK FORCES ON MENTAL HEALTH SERVICES, HEALTH CARE SYSTEMS, AND REGULATORY ISSUES OF THE HEALTH AND HUMAN SERVICES DEPARTMENT

Deputy Director Comeaux reported Mike Willden, Director, Department of Health and Human Services submitted a list of preliminary ideas on how to improve efficiency including initial estimates for cost savings and recommended reviewing the Department on a functional rather than divisional basis due to the cross-over of divisions and to begin a review with task forces on Mental Health Services, Health Care Systems, and Regulatory Issues. Deputy Director Comeaux noted, at the last meeting, Commissioner Forbuss showed an interest in reviewing Mental Health Services; Commissioner Greathouse showed an interest in reviewing Health Care Systems; and Commissioner Vilardo showed an interest in reviewing Regulatory Issues therefore three task forces or working groups were proposed to begin review of the Department. Deputy Director Comeaux recommended the three designated Commissioners submit alternative dates on when they could meet with him and Mike Willden to discuss how to proceed with their reviews. He noted there was also discussion about including advocacy groups and other advisors in the task forces including Legislative representatives.

Chairperson James requested to know how quickly task forces could begin. Deputy Director Comeaux replied as quickly as possible. He stated task forces could run simultaneously and that direct communication with division employees to elicit input could also be a consideration. He recommended setting up an initial list of objectives in order to develop a meeting schedule. He noted meetings could be set up within a few days of each other.

Chairperson James pointed out Preliminary Areas of Interest that would be discussed at today's meeting during agenda item VI included suggested recommendations from the Department of Health and Human Services. He requested to know if further review of those suggested recommendations was needed by the task forces before being presented to Governor Gibbons. Deputy Director Comeaux replied that was correct. He pointed out recommendations that would need further review by the task forces and recommendations that could be decided upon at today's meeting by the Commission.

Chairperson James requested to know if public hearings would be held on certain recommendations. Deputy Director Comeaux recommended the task forces review the pros and the cons of recommendations and to hold public hearings after that. He stated task forces may be overwhelmed from the beginning if public hearings were held first.

Chairperson James stated he did not have an opinion as to when public hearings should be held, but that recommendations should be given thorough consideration because issues such as privatization would require an act by the Legislature. He stressed the importance of offering recommendations that would be helpful to the Legislature. Deputy Director Comeaux replied a consensus would help.

Commissioner Goldwater suggested the Commission determine if privatization saves money. Commissioner Jones commented that privatization would require a lengthy discussion. She agreed with Deputy Director Comeaux's suggestion of having a consensus.

Chairperson James stated there should not be a general rule because other states have experience that could be called upon. He suggested building a consensus based on facts presented to the task forces.

Commissioner Jones pointed out a better consensus could be achieved when different perspectives or viewpoints were considered. Chairperson James agreed that task forces should come up with workable recommendations.

Executive Director Partlow stated the Commission needed to be provided with the facts at the time recommendations were made including upfront costs and recovery costs. It should also be made clear where recommendations came from and why recommendations were being addressed and that some recommendations came from previous administrations.

Commissioner Garcia suggested recommendations should be identified and compared by "recommendations with cost" versus "recommendations without cost" to manage cash flow more efficiently.

Chairperson James stressed the importance of thoroughly reviewing recommendations in a timely manner.

Deputy Director Comeaux suggested task forces develop recommendations mainly on facts in order to minimize opposition.

Commissioner Jones suggested identifying recommendations with upfront costs and long-term savings.

IV. UPDATE ON HORIZONTAL REVIEW OF INFORMATION TECHNOLOGY. COMMISSION DISCUSSION/POSSIBLE ACTION

Commissioner Putnam reported representatives from Washoe County Management were assisting with the IT task force. A meeting was held last week with State agencies to discuss how to improve efficiency. Commissioner Putnam reported agencies were looking for recognition and appreciation. Commissioner Putnam stated that, in his opinion, agencies were micro-managed by the Legislature and under-managed by the Executive Branch. Cabinet meetings were held once a month and allowed different agencies approximately a minute and a half to update the Governor on agency operations. There was not a Chief Operating Officer or a Chief Administrative Officer.

The Commission discussed recommending a tighter structure and possible appointment of a Chief Operating Officer (COO) accountable to the Governor to improve management efficiency.

Commissioner Putnam reported agency representatives would be on the IT task force. Executive Director Partlow clarified assistance would be provided to complete task force work within each department. Dan Stockwell would then be approached after the next day's IT task force meeting to determine the next step for the task force including a discussion of the 142 nodes in government.

Commissioner Putnam noted Ginny Lewis, DMV Department Director, stated her job was to get individuals to function on the Internet. He pointed out driver licenses were the common denominator across the state and therefore should be considered as a means to obtain services. Chairperson James suggested the task force review new federal standards for driver licenses.

Commissioner Vilardo pointed out there was no interface between government agencies. Chairperson James agreed agencies were unable to coordinate, but that, in his opinion, it was due to how information was presented.

Discussion followed about how funding could be saved in the purchase and planning of IT systems. Executive Director Partlow pointed out the IT task force discussed that by the time a system was planned, purchased, and acquired, the system was already outdated. Currently, there were individual systems due to the fact that individual directors obtained direct funding.

Commissioner Vilardo expressed concern with the length of time it would take to implement a system.

Commissioner Feldman pointed out there was no central control over programs throughout the state. Executive Director Partlow reported that would be an issue brought up at the next task force meeting.

Chairperson James suggested reviewing private industry and other states to make sure the Commission's approach was in line with future technology.

Commissioner Jones suggested hiring one individual who can review the entire system's operation. Chairperson James noted MITRE was a non-profit organization of retired IT workers who assist governments and entities with designing efficient systems.

Commissioner Ahern commented on the difference between government and business. He suggested approving a professional staff to make immediate decisions and implementations for systems. Chairperson James noted the problem was how to develop a modern IT data-processing operation that could stay updated and work inside the government.

At this time, Chairperson James announced agenda item VII would be heard next.

V. UPDATES BY INDIVIDUAL COMMISSIONERS ON POSSIBLE AREAS FOR SAGE REVIEW (Formerly agenda item VII)

Commissioner Jones reported she reviewed the PERS system and the retirement system. She stated it was a problem in every state and that the unfunded liability on benefits and retirement health care was close to \$3 trillion. She reported former Governor Guinn had proposed no retirement health care for new members in the system. Commissioner Jones explained it needed to be reviewed in different perspectives because it could save money in the future. She offered the following suggestions for existing members: prohibit new benefits until the PERS system was funded by approximately 90-95%; re-establish required employee cash contributions – currently, the State picks up the costs for both the employer and employee despite Legislative action; and, impose age requirements for the PERS system. She reviewed the issues in changing from the existing system to a 401(k) type-system due to federal restrictions. Commissioner Jones explained the State was impacted due to the fact that the PERS system included cities, counties, and the State.

Chairperson James reported the federal government moved from a defined-benefit program to a defined-contribution program approximately ten years ago with success. He expressed concern about offering recommendations for the PERS system and health care too soon.

Commissioner Garcia requested clarification that a 401(k) or any type of defined-contribution structure would be prohibited by the federal government. Chairperson James explained existing members were given a choice of staying with the defined-benefit program or moving to a defined-contribution program which included Social Security; new members were automatically entered into the defined-contribution program.

Commissioner Hill noted it had been stated that a change to the benefit structure for current PERS members would be considered a "taking".

Commissioner Jones noted there were many ways to save money from the cost of these programs without changing the structure of the system.

Commissioner Goldwater commented there were compelling reasons to keep a defined-benefit program and attract government workers.

Chairperson James suggested finding a way to provide individuals an option.

The Commission discussed and decided to appoint approximately three or four Commissioners to further explore this issue with outside input. The following Commissioners were appointed: Randy Garcia, Jan Jones, David Goldwater, and Steven Hill with Randy Garcia as Chairperson of the group.

Commissioner Campbell requested to know if other states had a minimum age requirement for the defined benefit program. It was reported there were minimum age requirements.

Commissioner Hill reported the chamber study on the PERS system in comparison to other states would be released in early September.

Commissioner Feldman reported he submitted a recommendation to review the DMV Insurance Verification Program. The DMV has not remained current with technology and eliminated the verification of insurance cards. There were millions of transactions being sent to the DMV on magnetic tapes. There were thirty DMV employees hired to try to rectify technological problems. There are currently approximately 17-19% uninsured motorists in the State which costs the State millions when compared to insured motorists at the 3.5% premium tax. Meetings with the DMV have been held, but the DMV opted to attempt to solve technical problems in-house rather than through a private vendor. In summary, Nevada could pick up approximately \$30-40 million in revenue and reduce the DMV staff if these problems are resolved.

At this time, Chairperson James announced agenda items VIII and IX would be heard next.

VI. COMMISSIONER LIAISON AND STAFF ASSIGNMENTS TO PROJECTED TASK FORCES. PRESENTATION OF CALENDAR FOR TASK FORCE WORK AND REPORTS; DISCUSSION AND POSSIBLE ACTION (Formerly agenda item VIII)

Executive Director Partlow reported Suzanne Kilgore would construct a task force calendar with meeting dates and a report calendar.

VII. REPORT ON STATUS OF SURVEY(S) OF STATE EMPLOYEES. COMMISSION DISCUSSION/POSSIBLE ACTION (Formerly agenda item IX)

Executive Director Partlow reported UNR was doing a good job on constructing employee surveys. Surveys should be available to state employees by the middle of September, which would provide 45 days for review and possible inclusion in the December report to the Governor.

Commissioner Campbell requested to know the scope of employee surveys. Executive Director Partlow reported questions focused on job satisfaction and included two open-ended questions about how to improve state government and departments.

At 12:10 p.m., Chairperson James called for a lunch break. At approximately 12:30 p.m., the meeting resumed.

VIII. WORKING LUNCH. REPORT ON MEETINGS IN WASHINGTON, DC WITH GAO, GSA, AND OMB BY SAGE DELEGATION MEMBERS

Chairperson James explained meetings had been arranged with the Government Accountability Office (GAO), the General Services Administration (GSA) and the Office of Management and Budget (OMB) to discuss Nevada's standing and techniques that were used to improve management efficiency of the federal government. A meeting was also held with a non-profit group to discuss recommendations made by the Grace Commission that relate to efficiency improvements for Nevada. Chairperson James passed around example of NPRI's "piglet" books that identified government waste.

Commissioner Campbell commented on the different purchasing rates of the GAO and the GSA. She reported the OMB took inventory of government real estate and eliminated real estate based on whether or not the real estate was producing revenue. She requested to know if the State had created a real estate inventory based on producing or non-producing real estate. Deputy Director Comeaux reported there was a paper inventory, as opposed to electronic, of State-owned real estate. This enables the State Lands Division to provide information on specific pieces of property, but makes it difficult to provide data on the State's holdings overall or information on productive vs. non-productive properties. Commissioner Campbell noted different agencies were willing to provide assistance to the Commission.

Chairperson James commented on funding formulas that were meant to be used to the advantage of the State and grants available to the State that were not being used.

Commissioner Hill commented that it was a "table of contents"- kind of trip and how agencies were enthusiastic about providing assistance. He stressed the importance of the Commission setting goals. Discussion followed about addressing the general subject of health care and the future effects of health care on the State.

Chairperson James reported there was a Sunset Commission in Texas which reviewed and determined if agencies on the verge of expiring were still needed. Commissioner Campbell stated one of the recommendations was to review a sunset of exemptions and provided an example.

Executive Director Partlow suggested Commissioners review materials from Paul Posner of George Mason University that examined State problems and suggestions to correct those problems. Discussion followed about future topics and presentations.

IX. REVIEW OF “PRELIMINARY AREAS OF INTEREST FOR THE SAGE COMMISSION” REPORT INCORPORATING RECOMMENDATIONS RECEIVED TO DATE FROM NEVADA STATE DEPARTMENT DIRECTORS, NEVADA TAXPAYERS ASSOCIATION AND UNIMPLEMENTED ITEMS IN 2001 GUINN REPORT FOR POSSIBLE INCLUSION IN FIRST 90-DAY REPORT TO THE GOVERNOR TO BE APPROVED AT SEPTEMBER 25 COMMISSION MEETING AND SUBMITTED SEPTEMBER 30, OR THE SECOND 90-DAY REPORT TO THE GOVERNOR TO BE APPROVED AT DECEMBER 4 COMMISSION MEETING AND SUBMITTED DECEMBER 12

Executive Director Partlow reviewed columns listed on the Preliminary Areas of Interest Report. Chairperson James noted columns were guidelines to review items for possible recommendations.

The Commission discussed and decided the following for the Preliminary Areas of Interest Report:

Deputy Director Comeaux reported the Department of Health and Human Services (DHHS) was moving positions from various divisions into the central office to accomplish part of item 1. It was the major source of the revenue savings which was approximately \$2.3 million per year. The data processing improvements would be an on-going issue and would include budget requests for the next biennium.

Commissioner Campbell requested to know if the Department already had the authority to go to a third party. Deputy Director Comeaux replied yes. Executive Director Partlow reminded Commissioners that agencies were asked to make suggestions that needed assistance from the SAGE Commission to move forward.

Commissioner Campbell asked if there was a need for a Legislative component if there was already authority of Governor. Deputy Director Comeaux reported the Legislature had absolute authority because they had budget authority therefore they could overrule the Governor’s authority, budgetarily.

Commissioner Greathouse pointed out a “0” in the Cost column meant the cost was unknown.

Commissioner Putnam pointed out a majority of the recommendations could be accomplished if item 23 was approved to allow departments to move up to one percent of the appropriated budget or \$1 million, whichever was larger. Discussion followed about presenting as many recommendations to the Governor as possible. Chairperson James suggested changing “0”s in the Cost column to “U”s if costs were unknown.

Commissioner Snyder commented that Department Directors who made the suggested recommendation should know the costs involved therefore that information should be provided. Chairperson James noted that information was being sought.

Deputy Director Comeaux stated that, in his opinion, the SAGE Commission did not need to address item 2 because a contract to assist clients with becoming eligible for Supplemental Security Income (SSI) had already been signed.

Deputy Director Comeaux explained item 3 was to request assistance to better manage medication inventory and that costs were unknown. There was an estimated savings of \$4.3 million per year if medication inventory was better managed. He noted item 4 would not be included in the September report because further information on the issue was needed. It was referred to a task force.

Commissioner Campbell requested to know if pharmaceuticals were purchased or if there was a direct tie to drug companies. Deputy Director Comeaux reported there was a multi-state consortium that purchased drugs. Chairperson James suggested more time to review item 3. He suggested combining items 3 and 7 for further review by Commissioner Campbell’s task force.

Deputy Director Comeaux stated item 5 would be included in DHHS’s budget request and that savings estimates were based on lowering or matching patient to staff ratio to the national standard. The recommendation would eliminate approximately 110 positions. Discussion followed regarding concern about the SAGE Commission determining staffing ratios. Chairperson James requested item 5 be assigned to a task force for further review.

Deputy Director Comeaux reported more information would be forthcoming for item 6 because it was currently under development.

Deputy Director Comeaux explained item 8 was to establish a centralized Grants Management Unit in order to better manage federal aid grants that Nevada could apply for. The Commission discussed and decided item 8 should be put on the

December report list because further review was needed to discuss whether or not a separate office was needed to manage grants and what the return on investment might be.

Deputy Director Comeaux reported item 9 was still being worked on to change statutory exemptions that would allow larger recoveries from estates and expand the surveillance program to better detect medical fraud.

Deputy Director Comeaux explained item 10 was to restrict or limit admission to long term nursing facilities for individuals with a low functional assessment score. It was discussed and decided to have further review of item 10 by a task force.

Regarding item 11, Deputy Director Comeaux reported it was questionable as to whether or not Elko Youth Training Center students were included in the head count for the Distributive School Funding (DSA) and whether there would be a savings of \$1.2 million per year if funding was taken from the DSA rather than the general fund. The item was referred to a task force.

For item 12, Deputy Director Comeaux reported Michael Willden had suggested the administration and administrative costs for the Senior Citizens Property Tax Rebate Program be turned over to local governments because it was a local program.

For item 14, discussion was heard about reviewing exempt and non-exempt overtime policies to determine which individuals were eligible for overtime. It was decided the issue needed further review by a task force, along with item 16.

Deputy Director Comeaux explained item 13 would prohibit local governments from transferring human services programs to state government absent associated funding mechanisms. The Commission discussed and decided to remove item 13 from the list.

The Commission discussed and decided items 15 and 17 be further reviewed by a task force.

Executive Director Partlow explained the last part of item 18 may be an IT task force issue due to the fact that it would allow a web-based automated system to provide customer service at half the cost. It was discussed and decided further review by a task force was needed. The first part of item 18 was also assigned to a task force.

Executive Director Partlow explained item 19 was to either disband the Public Work Board or overhaul their operations to avoid duplications and added costs. Deputy Director Comeaux explained the cost savings estimate was from projects presented before the Public Work Board. The Commission discussed and decided to make a recommendation to the Governor to establish a joint Gubernatorial Legislative commission to overhaul the Public Work Board with the goal of saving ten percent on projects that go through the Public Work Board.

Executive Director Partlow explained item 20 was to allow NDOT to purchase heavy equipment according to NRS statutes without having to pay State Purchasing (SP) costs, therefore avoiding duplication. The Commission discussed and decided the issue required further review by a task force.

At this time, Chairperson James called for a short break. At approximately 2:35 p.m., the meeting resumed. Chairperson James requested the Commission resume their review with item 50.

Deputy Director Comeaux explained the intent of item 50 was to rework the existing Indigent Accident Fund and Supplemental Accident Fund to enable the State to get a 2 to 1 federal match for the Nevada Check-Up Program. This would ensure that county hospitals would still receive funding and remain open if the additional funding was needed elsewhere. The Commission discussed and decided further review of the issue was needed.

Executive Director Partlow requested the issues of sunset for tax exemptions after ten years and DMV insurance verification be added to the list as items 51 and 52.

Executive Director Partlow reported item 21 was being implemented by the DMV and the department was looking for support from the Commission.

Regarding item 22, Chairperson James requested further information to better understand the storage costs for records.

Executive Director Partlow explained item 23 was to allow department directors to distribute appropriated budget dollars to their divisions that would prove to be more efficient without approval. The Commission discussed challenges faced by the recommendation including who to allocate more flexibility to and by how much and allowing flexibility with goals and measurements including incentives to making departments more efficient. This item will be studied further in conjunction with item 25 and both will be studied from a business experience perspective.

Regarding item 24, Commissioner Vilardo agreed to revise the item for the September meeting.

Commissioner Putnam requested to know if the Governor as the Head of the Executive Branch met with agency directors to set metrics for each fiscal year. Commissioner Vilardo reported the Controller had authority to set outcome based measurements for the Department of Transportation, but there was discussion to measure performance standards.

Executive Director Partlow explained item 27 was a review of earmarked taxes and fees and whether or not each earmark was still needed. Chairperson James assigned the item to Commissioner Goldwater's task force to examine.

Executive Director Partlow explained item 28 addressed a determination of overtime. It was noted this item was related to item 14 and both would be reviewed by a task force.

The Commission discussed and decided to eliminate item 29 and to assign items 30 through 35 to a task force as the recommendations related to a determination of overtime and staff-related issues.

Commissioner Vilardo explained item 36 was a suggestion to establish an inventory of government assets. Discussion followed regarding who would create and handle an inventory list. Chairperson James suggested further review of this issue.

The Commission decided to continue researching item 37 regarding the Department of Industrial Relations. Commissioner Goldwater was asked to assist with securing information on this issue.

Chairperson James suggested further discussion of item 38. Commissioner Campbell was asked to look into opportunities to tie into federal contracts.

Executive Director Partlow explained item 39 regarded centralization of revenue collection. Commissioner Vilardo stated gaming should not be included in the proposal. Chairperson James suggested further review for possible inclusion in the December report.

Chairperson James suggested including item 40 as written in the September report.

Executive Director Partlow explained there would be difficulty in putting numbers to alternative sentencing programs for item 41. Commissioner Jones stated there was a way to establish a cost savings estimate. Chairperson James suggested getting input from the District Attorney offices in Washoe and Clark County and to assign this issue to a task force as well as item 42.

The Commission discussed combining item 43 with item 23; assigning item 44 to a real estate task force; and assigning item 45 to an HR task force.

Executive Director Partlow explained item 47 regarded feeding inmates through the Department of Corrections partnership agreement with Aramark. Chairperson James suggested further information on items 46 and 47 was needed. The Commission discussed allowing the HHS task force to review item 48 further for the December report.

Executive Director Partlow explained item 49 regarded the elimination of "sentence stacking". The issue was assigned to a task force.

X. PUBLIC COMMENT AND DISCUSSION. Time Limit: three (3) minutes per person. No action may be taken on a matter raised under this agenda item until the matter itself has been specifically included on an agenda as an item on which action will be taken.

A. Mary Lau, Retail Association of Nevada President, offered services for discussing and providing information regarding pharmacy issues. Chairperson James requested to know if they could assist in cost savings. Ms. Lau stated they could provide assistance. Chairperson James asked how much Nevada spent on pharmaceuticals. Ms. Lau stated it was multimillion dollar expenditure.

IX. ADJOURNMENT

There being no further business, the meeting adjourned at 3:44 p.m.

Jan Jones moved to adjourn the meeting. Don Ahern seconded the Motion. Motion carried unanimously.