



**Fifth Report
of the
Nevada Spending and Government Efficiency Commission
to
Governor Jim Gibbons
September 30, 2009**



Nevada SAGE Commission

Spending and Government Efficiency

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September 30, 2009

The Honorable Jim Gibbons
Office of the Governor
101 North Carson Street
Carson City, NV 89701

Dear Governor Gibbons,

In this fifth report of the SAGE Commission we are pleased to be able to offer nine new recommendations for your consideration. It should be noted that the attached recommendations were backed by the affirmative votes of all members present at each of the three meetings held in the last quarter. The Commission has now forwarded 35 recommendations to you.

Please let us know if we can assist in any way in interpreting or implementing any of our recommendations.

Sincerely,

A handwritten signature in black ink that reads "Bruce R. James". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

Bruce R. James
Chairman

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Recommendations

To Governor Jim Gibbons
from the
Spending and Government Efficiency (SAGE) Commission Meeting
September 30, 2009

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Recommendations submitted to the Governor in previous quarterly reports
can be found on the SAGE Commission website:

www.sagenevada.org

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.