MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Third Session
March 23, 2005

The Committee on Ways and Means was called to order at 9:30 a.m., on Wednesday, March 23, 2005. Chairman Morse Arberry Jr. presided in Room 3137 of the Legislative Building, Carson City, Nevada. Exhibit A is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Ms. Chris Giunchigliani, Vice Chairman
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Lynn Hettrick
Mr. Joseph M. Hogan
Mrs. Ellen Koivisto
Ms. Sheila Leslie
Mr. John Marvel
Ms. Kathy McClain
Mr. Bob Seale
Mrs. Debbie Smith
Ms. Valerie Weber

COMMITTEE MEMBERS ABSENT:

Mr. Richard Perkins

STAFF MEMBERS PRESENT:

Steve Abba, Principal Deputy Fiscal Analyst
Laura Freed, Program Analyst
Anne Bowen, Committee Secretary
Carol Thomsen, Committee Secretary

DIVISION OF ECONOMIC DEVELOPMENT
COMMISSION ON ECONOMIC DEVELOPMENT (101-1526)
BUDGET PAGE – ECON DEV AND TOURISM – 1

Robert Shriver, Director, Commission on Economic Development, presented an overview of Budget Account 1526.

Mr. Shriver stated that Budget Account 1526 was the main budget account for the Commission on Economic Development and within that budget was the business development research function, marketing, the Made in Nevada program, and the global trade and investment program. Mr. Shriver noted that in a previous Committee on Ways and Means meeting earlier in the week he had talked about all that had been accomplished by the Commission in the past year as well as some of the critical needs of the State. The Commission had put together an aggressive retention program utilizing Syncronis software, which had been very successful in aiding regional development authorities contact existing primary employers to examine their needs and concerns. Mr. Shriver said the program that received most of the attention was the attraction of new industry to Nevada, but certainly the retention of existing businesses was critically important.

Mr. Shriver said the other opportunity was to "grow" new businesses. Part of that was enhancing efforts to work with existing operations or agencies, such as small business development centers, to rural and urban areas to create new jobs and opportunities. Entrepreneurship was the buzzword of the decade, according to Mr. Shriver, and one of the areas the Commission focused on in growing new companies in Nevada. Mr. Shriver commented that one of the biggest manufacturing companies in Nevada was International Gaming Technology (IGT), which had grown from one individual's idea to the largest gaming machine manufacturer in the world. The Commission was focused on finding ways to stimulate that type of growth. Mr. Shriver said the "three-legged stool" of economic diversification was attraction, retention, and "growing our own."

Mr. Shriver said the marketing program in the past year had taken on a different form with an "edgier" campaign than most states or regions. Usually most marketing programs appealed to quality of life issues and had golf courses and sunsets in their ads. Nevada's campaign was a "call to action" where it was advertised that if you owned a small business in California you would be out of business because of worker's compensation costs that had risen over 350 percent. The Commission had seen a tremendous increase in the number of companies that came to Nevada. Mr. Shriver said the activity level of attracting new companies was increasing significantly.

Mr. Shriver said part of the mission of Economic Development was global trade and investment. In the past year, Nevada's exports, primarily manufacturers from agriculture to electronics, had reached almost $3 billion. Mr. Shriver stated that was a significant indicator of the viability of manufacturing in Nevada. Economic Development would continue to work with businesses to teach the exporting of products.

Mr. Shriver informed the Committee that the Commission was working on an interesting project with several provinces in China that concerned growing alfalfa. There was a great interest in alfalfa in China because the feed raised for cattle in China was not good for dairy products. The Chinese had acquired a taste for yogurt, milk, and other dairy products that they had not had previously. The Chinese had asked the Commission to locate Nevada ranchers and farmers who were willing to go to China to teach their farmers how to grow alfalfa.

Chairman Arberry commented that he had heard in the news that China was having some difficulty with a neighboring country and wondered what an armed conflict would do to Nevada's arrangement with China.

Mr. Shriver replied that he was not really sure what would happen, but he suspected Nevada would attempt to continue the relationship. While it was an issue that was a concern, the Commission tried to work with both the Peoples Republic of China and Taiwan because they both had large markets.

Assemblywoman Giunchigliani asked if the farmers from Nevada were teaching the Chinese farmers water conservation, because over 90 percent of Nevada's water went to farming, and only about 1 percent of the domestic product came from farming. Mr. Shriver replied that part of teaching the Chinese farmers dealt with soils, water, and how to use the water more efficiently. He believed that Nevada farmers probably utilized the water resource as efficiently as any place in the country.

Mr. Shriver continued his presentation by stating that companies that exported product paid higher wages than other manufacturers because of the value added they received in return. The Commission was able to receive a federal grant through the United States Department of Agriculture (USDA) which allowed them to take agriculture related and food additive companies to China.

The Commission was working with a group of farmers in the Yerington area regarding selling onions to Mexico. The Mexican appetite for white onions was very large and Mr. Shriver said Mexico was a great marketplace and there were some good opportunities in that area.

Mr. Shriver said part of the Commission's mission was rural economic development. The Commission had worked with rural communities on a strategic plan called "Building Prosperity," which was adopted several years prior to help rural communities help themselves. The aim was to build the grassroots of an economic development plan along with strategies which were more broad than just business.

Chairman Arberry asked Mr. Shriver to discuss the request for an increase in advertising in Decision Unit E-150.

Mr. Shriver responded that Decision Unit E-150 was part of a plan to increase the advertising efforts to attract companies, particularly in California. One of the functions being requested in The Executive Budget was to purchase advertising in marketing media. Mr. Shriver said although the budget was somewhat limited, a new campaign was being proposed. He said he had mentioned "leveraged media" where stories about Nevada were derived from the advertising. One particular year those ads, when calculated by the column inch, added up to $10.2 million free public relations, or leveraged media, according to Mr. Shriver. He said the Commission wanted to follow that up in selected markets and they were investigating markets in the Bay Area, Los Angeles, and San Diego where there were small to mid-size companies that could move to Nevada. Because the Commission was purchasing advertising in volume, they were able to negotiate for discounts up to 50 percent. Mr. Shriver said it was important to continue to be able to leverage dollars more effectively by purchasing more media through long-term contracts. Additionally, rates had increased over what had been anticipated and that was the reason the Commission was requesting the increase in funding.

Chairman Arberry stated the concern of the Committee was that the Commission on Economic Development did not seem to have any information regarding the tracking of those dollars, or the return on the investment.

Mr. Shriver referred to information that had been distributed to the Committee at a previous meeting and noted that there were statistics on the number of companies that had moved from California, the number of hits to the website, and the number of phone calls to the office directed from California. According to Mr. Shriver, the number of inquiries received had grown significantly over the past two years, and that growth could be directly related to the aggressive campaign by the Division of Economic Growth. Mr. Shriver maintained that in advertising it was always difficult to determine exactly where the response was coming from, but there had to be a presence in the market; if California were a nation it would be the fifth largest economy in the world. Although advertising alone was not the answer, Mr. Shriver stated it would increase the "buzz" and that would generate stories in business press magazines. Every time the Governor of California tried to counteract the advertising it played back into what Nevada was doing. Mr. Shriver said he believed the requested increases in the advertising budget were justified because of what the Commission wanted to accomplish in the long-term.

Chairman Arberry requested that the Commission keep good records because the Committee wanted to know how the money was being spent.

Mr. Shriver replied that keeping good records was also important for the Commission.

DIVISION OF ECONOMIC DEVELOPMENT
NEVADA FILM OFFICE (101-1527)
BUDGET PAGE – ECON DEV AND TOURISM – 7

Mr. Shriver stated that Budget Account 1527 had been reviewed in a previous meeting.

DIVISION OF ECONOMIC DEVELOPMENT
RURAL COMMUNITY DEVELOPMENT (101-1528)
BUDGET PAGE – ECON DEV AND TOURISM – 12

Mr. Shriver introduced Carl Dahlen, Director of Rural Community Economic Development, to present an overview of Budget Account 1528.

Assemblywoman Giunchigliani asked a question regarding Budget Account 1526. She noted that there had been a discussion in a previous meeting regarding the $10 million recommended for regional development authority grants, but there were still some questions she believed should be put on the record.

Ms. Giunchigliani stated she understood that it was $5 million in each year of the biennium, intended to be ongoing General Fund dollars. Out of that money, approximately $500,000 that the rural areas currently received would be backed out, but somehow more money would be added so that they would actually receive the equivalent of $1 million each year. Ms. Giunchigliani stated that was the way she had understood the proposal but she wanted to know if her understanding had been correct.

Mr. Shriver replied that the $516,000 per year was currently what was divided between the Nevada Development Authority (NDA) and the Economic Development Authority of Western Nevada (EDAWN). The idea was that the Commission would take that money and transfer it to the rural money so they would receive $1 million over the biennium.

Ms. Giunchigliani asked if the NDA and EDAWN would be giving up the current grant and instead be receiving $4.5 million each. Mr. Shriver replied that was not quite correct, NDA and EDAWN would be receiving $5 million that would be divided 65 percent and 35 percent. Ms. Giunchigliani said she was trying to ascertain what the actual net proceeds would be for each group. Mr. Shriver said he believed the net was $9 million, but the amount requested was $10 million. Mr. Shriver said Decision Unit E-151 stated that $3.25 million would go to NDA and $1.75 would go to EDAWN and the money they would have received would go back in the budget for redistribution to the matching grants program.

Ms. Giunchigliani asked if there was going to be an application process for the grants. Mr. Shriver replied that the idea was that the Commission would administer the grants in the same way as before, realizing that the budget account was a pass-through that would go through the legislative body. The same requirements would be retained, for instance, quarterly reports, annual reports, and audits.

Ms. Giunchigliani noted the increase was large and the current projects did not seem to require an application, just reports after the fact. Mr. Shriver replied that there was an application. Entities requesting grants had to provide a work plan every year which highlighted what they wanted to do with the money for the upcoming year, where the resources from the grant would be spent, and currently the urban groups had to match dollar-for-dollar the money provided. That was not a requirement for all rural economic development authorities.

Ms. Giunchigliani said she believed that the issue of matching funds should be considered for both groups since it was such a large increase.

Ms. Giunchigliani asked if year-end reports would still be required in addition to quarterly reports and Mr. Shriver replied that they would.

Ms. Giunchigliani noted that she had briefly previously mentioned that it was probably time to consider the issue of consolidation. She said she had also raised the issue of putting into statute what was non-managerial versus managerial regarding salaries of reporting entities.

Mr. Shriver stated he had his file on A.B. 356. He said that currently by law, the Commission on Economic Development could not access the records of the audit that was performed by the Department of Taxation. Mr. Shriver said he did not know what the rules were, but the Department of Taxation merely reported back to the Division that a company had not met its requirements.

Ms. Giunchigliani asked if it was in statute that when abatements were granted to various companies, that part of their reporting structure had to be segregating managerial salaries from non-managerial salaries, could the Department of Taxation properly audit that.

Mr. Shriver replied that was handled in the application. When the commissioners reviewed an application they considered how it was weighted. The commissioners would not approve a company that had 100 employees with a manager that was making $250,000, and the rest of the employees were making much less. Mr. Shriver said companies had been denied for just for that reason.

Ms. Giunchigliani said the application was not doing what the Department of Taxation looked at and she believed that was where the problem was. She said she thought it should be statutorily defined so that the Department of Taxation was looking for the salary differential. Ms. Giunchigliani said there might not be a problem and there could also be justification for the manager making more than non-managers.

Berlyn Miller, Vice Chairman, Commission on Economic Development, identified himself for the record. Mr. Miller asserted that the Commission, when looking at an application, was very strict on that issue. If the salaries a company was paying were particularly off-kilter, the application would be denied.

Mr. Miller continued and said that the Commission would be supportive of having the Department of Taxation look at exactly what each job was paying and how many jobs had been created, rather than just providing an average.

Ms. Giunchigliani said she believed that would be helpful for the Commission.

Mr. Miller said the Commission would like the same objective look once the company had been operating for a while.

Ms. Giunchigliani said she believed that had always been the Commission's intent.

Assemblyman Hogan commented that it appeared there would be a rather large initial increase in the amount funded, particularly going to rural recipients. He wondered if uncommitted funds at the end of the biennium would be carried forward or be returned to the General Fund.

Mr. Shriver replied that there were a lot of good ideas, and the rural communities probably were the most creative in trying to leverage the limited dollars in resources they received. He said he would like to see some regionalization and project development that would impact several counties instead focusing strictly on one entity. Main Street programs could be utilized to help regenerate the downtowns to make those attractive so they could "grow" some retail businesses so that when tourists came there was something for them to spend money on. Mr. Shriver said there were some beautiful old western communities out there that needed a shot in the arm, and he believed if it was planned correctly, those resources could be used to help them. The Commission always wanted to make sure that the local community initiated a plan and participated. The Commission did not try to carry the entire load but attempted to be an adjunct to what the participants wanted to do. The Commission did not want to just hand out money, according to Mr. Shriver. Mr. Shriver stated he did not think the Commission was going to have a problem getting the money distributed.

Mr. Miller presented one example of where he believed some of the money could be used and benefit not only the rural community, but the state. The City of Ely was in the process of trying to purchase 120 miles of existing rail that belonged to the Los Angeles Water and Power Company. The two entities were currently in negotiations, but the Los Angeles Water and Power Company wanted a little more money than the City of Ely had been allocated. Mr. Miller said he was assisting the City of Ely on a pro bono basis. Los Angeles had considered the possibility of just abandoning the negotiations and selling the rails for scrap, which would be worth a lot more than what Ely was offering, or could afford to pay, but that rail line was also necessary to serve the supply of coal for the new coal-fired plant that was being built there. Mr. Miller said that if that plant could get the railroad to serve the plant, when it was completed it would double or triple the total assessed valuation in White Pine County, which would take the burden of having to supplement the school district and the county off the State.

Mr. Marvel asked if the roadbed and the steel were still there and Mr. Miller replied that they were.

Mr. Marvel asked if the ties were still in good shape.

Mr. Miller stated they were not and there was going to be some work done on them, but the track was still there and in decent shape, particularly the shorter portion which would serve the power company. The company building the power plant had been willing to participate in upgrading, or any necessary restoration needed on the line to serve them.

Mr. Marvel asked if the line was a narrow gauge and Mr. Miller replied that it was not.

Mr. Marvel asked if the line would tie in with the Union Pacific rail line in Elko County.

Mr. Miller replied that it would and said it was a total of 140 miles running in both White Pine County and Elko County.

Mr. Marvel asked if the Tri-County Development Authority, with Humboldt, Lander, and Pershing Counties was still around, or had it disbanded.

Mr. Shriver replied it had been disbanded and there were three individual development authorities. Mr. Marvel asked if they were all active.

Mr. Shriver responded that they were all somewhat active. Eureka County was probably the least active, but their resource level was higher because of their mineral proceeds tax, which they had utilized very well to enhance downtown Eureka.

Mr. Marvel commented that Elko had a fairly aggressive economic development group. Mr. Shriver agreed and said it was not dissimilar to what went on in Clark County where there were many municipalities and local governments, in addition to the county. Elko County had done a wonderful job because each individual had a different focus on where they wanted to go. There were greater distances between the communities, but they were working together. Mr. Shriver said Elko County was focusing on a project that would have significant impact, the Port of Elko rail-served transloading facility, which would not only impact Elko County, but Eureka, Lander, and White Pine Counties as well. Mr. Shriver explained those groups were thinking regionally, which was the goal.

Mr. Seale said the district he represented was in Henderson and he did not see any allocation for Henderson. He wondered if the Commission was going to attempt to define Henderson as a rural area.

Mr. Shriver replied that Henderson worked very closely with the NDA. Henderson was actively involved and the mayor of Henderson was on NDA's executive committee. Henderson worked mostly through the NDA. The Commission on Economic Development had worked with both the NDA and the City of Henderson on a project that would bring to the city a significant company that was going to be announced in the next year. The City of Henderson was the lead and they knew their property better than anyone, according to Mr. Shriver. Mr. Shriver commented that Henderson was the poster child of how a growing community was developed.

Chairman Arberry said he wanted to comment that in the many years that he had been in the Legislature, he had been very sensitive to the rural areas because he lived in an area that was much like a rural area. The Governor wanted to give $10 million to NDA and EDAWN to split, according to Chairman

Arberry, but the area he represented was blighted and there was no one attempting to meet with anyone about economic development in his district. Chairman Arberry stated that at some point areas like those he represented needed to be considered, and it was time the Commission on Economic Development looked into the inner city areas where there were people just as unfortunate as people in the rural areas.

Mr. Marvel said Chairman Arberry made a good point. Instead of rural areas, Mr. Marvel said perhaps they should be defined as "pockets of need" for the state.

Mr. Shriver said he agreed, and thought this might be the first session where there would be an opportunity to change the definition. Mr. Shriver said he was aware that communities had tried very hard to get people back into those "blighted" areas. The need was to "incentivize" companies to go back to those areas and also to employ people from that area. Mr. Shriver said he would be willing to sit down and work with members of the Legislature to attempt to find some way to direct some money toward those areas and help people to help themselves. There were some great community leaders who really wanted to do the right thing and they were running up against commercial lending issues.

Ms. Giunchigliani stated that along those same lines, that was part of the issue. There were pockets of need not only in Chairman Arberry's district, but in her district, Mr. Hogan's district, Mrs. Smith's district, and Mr. Denis' district. The jobs seemed to go someplace else, according to Ms. Giunchigliani. The recent loss of Von's in North Las Vegas had been a huge issue.

Mr. Shriver explained that one of the things that the Commission had worked with, and he had mentioned, was the Syncronis software program, which helped identify businesses in your community. The City of Las Vegas had implemented and aggressively used the program. Mr. Shriver stated the Commission wanted to see all the communities in Clark County adopt the program to help identify businesses and the problems they were facing. Mr. Shriver said the program provided data and information a company could take to lenders, rather than just anecdotal information.

Ms. Giunchigliani commented that the State needed to make sure that the right types of businesses were being attracted to the state. She opined that the State should be "growing" its own businesses as well.

Mr. Shriver stated the Commission helped support the Nevada Micro Loan Initiative Program which lent money up to $35,000 to businesses. That size of loan was of no interest to a commercial bank. Mr. Shriver said the Initiative was facing tough times, however, as they were federally funded.

Ms. Giunchigliani asked if Nevada still had the problem where small businesses closed within three to five years because the income did not continue.

Mr. Shriver replied that small business failures, more than likely, came about because of undercapitalization.

Ms. Giunchigliani stated the subject should be discussed so the Committee could "actually land on something." She said she did not want to pick on the rural areas because they had a need.

Ms. McClain commented that the Committee also needed to look at areas like the one she represented where there was a flight of businesses to the new growth areas. She maintained there needed to be some way of aiding businesses so they stayed in the neighborhoods and were able to make a living.

Mr. Shriver stated that revitalizing old neighborhoods had always been an issue.

Chairman Arberry opened the hearing on Budget Account 1528.

Carl R. Dahlen, Director, Rural Community and Economic Development, Division of Economic Development, identified himself for the record and stated he would highlight a few items from his prepared testimony in Exhibit B, "Nevada Commission on Economic Development, Rural Community Development – Budget Presentation Budget Account 1528."

Mr. Dahlen said that the Community Development Block Grant (CDBG) provided administrative support for the 26 small cities and counties throughout rural Nevada. The purpose of the CDBG was to develop viable, rural communities and sustainable economies to reduce the dependence those communities had currently on the large counties.

This Committee had endorsed the activities of the CDBG since 1981, enabling more than $49 million to be invested in rural cities and counties. During the current biennium, more than $63 between the grant and leveraged dollars had gone into projects benefiting rural cities and counties, for each $1 that had been invested in the administrative support.

Mr. Dahlen explained that the President's budget called for the elimination of the CDBG program, however, word had been received on Friday that both the Senate and the House of Representatives had added the CDBG back into the federal budget for FY2006.

Mr. Dahlen said that a revision to Budget Account 1528 was included in Exhibit B, and included a smaller grant than had been anticipated when the budget had been built. The revision reflected the amount of funding announced for the state of Nevada's CDBG program in January 2005.

Mr. Dahlen requested that the Committee consider the revised budget as the agency request.

Chairman Arberry asked if the replacement of federal funding into the CDBG program was guaranteed.

Mr. Dahlen responded that both the House of Representatives and the Senate had showed support for the Community Development Block Grant Program and had indicated that there would be a continuation of the program in FY2006. The program year of Rural Community Development ran one year behind the State fiscal year. Mr. Dahlen said for the first year of the biennium, FY2006, federal funding was in place. The advisory committee had met, reviewed the applications, and was in the process of recommending funding for those applications. The program would be in existence throughout State fiscal year 2006.

Chairman Arberry asked what would happen if the federal government did not fund the program.

Mr. Dahlen replied that if the federal government did not fund the program, the state would not fund it either.

Chairman Arberry inquired as to why the recommended General Fund match was greater than the required 2 percent match.

Mr. Dahlen responded that the Assembly Ways and Means Committee and the Senate Finance Committee had supported the CDBG program in excess of the 2 percent minimum match to provide 5 positions who were working in rural Nevada.

Ms. Giunchigliani requested a history of why the Rural Development grant program in the Commission on Economic Development's budget was separate from the CDBG budget.

Mr. Dahlen related that the background on the separate budgets was that the CDBG had been around since 1981 and was a freestanding program, first in the old Office of Community Services. Around 1989 the program was moved to the Commission on Economic Development. The Commission had a very small grant program for rural economic development activities. The two programs were initially working in a somewhat parallel path. Mr. Dahlen explained that when Bob Shriver joined the Commission eight years ago, he had wanted the two programs working on a parallel track to improve communities from both an economic and a community development standpoint.

Ms. Giunchigliani asked if it would make sense to add the rural economic development portion to Budget Account 1528.

Mr. Dahlen stated the major reason not to do that was the complexity of the federal requirements on the CDBG. It was easier to keep those dollars in that program separated.

Ms. Giunchigliani referred to the enhanced General Fund portion being requested and asked if it would make better sense to have that money in the Economic Development budget so there were fewer restrictions.

Mr. Dahlen replied that the dollars being requested for Budget Account 1528 were for administering the program and were focused specifically in that program.

Ms. Giunchigliani asked if positions were being added and Mr. Dahlen replied that there were no positions being added.

Ms. Giunchigliani asked why there was a need for more General Fund dollars.

Mr. Dahlen responded that the cost of salaries had increased; two positions were upgraded in the last biennium which had led to increased costs for those positions because the responsibilities that those people had been handling were at a higher level than the positions initially required. That was primarily where the cost increases were emanating from, although staff numbers had not increased.

Mr. Denis asked who performed the CDBG allocations for the rural areas.

Mr. Dahlen explained that Rural Community Development worked very closely with cities and counties. The cities and counties that the agency represented gathered together in the fall of each year at the CDBG Forum. At that time the agency knew what the allocation amount would be for the coming year because it had already been put in place. Mr. Dahlen said the agency worked with the Forum to determine how the funds could best be used for the cities and counties. There was an application process with a great deal of public participation at the local level in terms of public hearings at city council meetings and county commission meetings. Only cities and counties were eligible applicants for the program, but nonprofits, General Improvement Districts, or individual community projects could move forward by going to the city or county. Mr. Dahlen explained that in 2005 each city or county could submit up to three applications, either in areas of planning, areas of economic development, or areas of community facilities and community services. Mr. Dahlen said 52 applications had been presented in the current year. A nine-member advisory committee had been selected at the Forum from representatives of the cities and counties that the funding was going to. Those nine people met last week, according to Mr. Dahlen, and went through the 52 applications and had recommended funding for 27 applications. Another four applications were on a waiting list in case funding became available. Mr. Dahlen said other applications were not recommended for funding for a variety of reasons.

Mr. Denis said he would be interested in seeing what types of requests were being received, and what types of requests were being recommended. Mr. Dahlen said he could provide those figures.

Ms. McClain remarked that every state was under the gun with threats of federal funding cuts, but asked if the federal government budgeted one year at a time. Mr. Dahlen replied that was correct. Ms. McClain said if the federal government said there would be funding available for the program in the first year, what would the State do in the second year if federal funding was cut.

Chairman Arberry responded that the Legislature would have to have a special session and fix the problem.

DIVISION OF ECONOMIC DEVELOPMENT
PROCUREMENT OUTREACH PROGRAM (101-4867)
BUDGET PAGE – ECON DEV AND TOURISM – 17

Mr. Shriver stated Budget Account 4867 was the Procurement Outreach Program (POP), part of a federal grant program. The program entailed the Commission on Economic Development working with small businesses to qualify them to be federal, state, or local contractors. Governments at any level had many requirements to qualify businesses to become contractors, according to Mr. Shriver. The program had been developed by the Department of Defense, Defense Logistics Agency, and provided the grant funds. The POP had monthly meetings with small groups, and provided a software program that allowed businesses access to contracts they might be qualified for. Mr. Shriver said the six-person staff did a tremendous job in helping small businesses go through the complicated process. Qualifying for a contract was stage one, and fulfilling a contract was stage two. The POP staff had experience in procurement at both the federal, state, and local levels.

Mr. Shriver commented that since there was no direct reporting requirement for the grants, it was all based on volunteer reporting. The POP received approximately 15 percent response to their survey from program participants. Those respondents reported $1.27 billion worth of contracts they had received. Mr. Shriver clarified that was not an annual number because some of the contracts were multi-year. He maintained the amount of money reported by only 15 percent of those surveyed was a tremendous amount of money going back into the Nevada economy. Those businesses were competing for contracts not only in Nevada, but anywhere.

Mr. Shriver said the large hotel and casino industry in Las Vegas had a supplier diversity program they were initiating. The POP had been involved with that program from its beginning.

Mr. Shriver explained to the Committee that there was a number discrepancy in the performance indicators for Budget Account 4867. Mr. Shriver explained the Program staff would be correcting the number and he would return with an accurate figure.

Chairman Arberry questioned the procedures used by the POP regarding expenditures. He commented that most agencies used separate expenditure categories, but the POP included every expenditure under the Defense Grant category.

Mr. Shriver deferred the question to Margene Stenger, Business Manager, POP.

Margene Stenger identified herself for the record, and responded that the budget expenditures had always been set up in that manner. She stated she had conversations with the Budget Office and apparently they had handled many federal grants where the expenditures were all lumped into one category. Personnel had been removed from the Defense Grant category, according to Ms. Stenger, but if the Committee wanted the POP to break out the other expenditures to separate categories that would not be a problem.

Chairman Arberry replied staff would work with the POP to resolve that issue.

Chairman Arberry closed the hearing on Budget Account 4867.

Chairman Arberry adjourned the meeting at 10:36 p.m.

RESPECTFULLY SUBMITTED:

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Anne Bowen
Committee Secretary

APPROVED BY:

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Assemblyman Morse Arberry Jr., Chairman

DATE:____________________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: March 23, 2005 Time of Meeting: 9:30 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B	Commission on Economic Development, Rural Community Development	Budget Presentation Budget Account 1528