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

Seventy-Third Session
May 9, 2005

The Committee on Ways and Means was called to order at 8:40 a.m., on Monday, May 9, 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 Chairwoman
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. Richard Perkins
Mr. Bob Seale
Mrs. Debbie Smith
Ms. Valerie Weber

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Mindy Braun, Education Program Analyst
Laura Freed, Program Analyst
Leslie Johnstone, Program Analyst
Jim Rodriguez, Program Analyst
Susan Cherpeski, Committee Attaché
Lila Clark, Committee Attaché

Assembly Bill 36: **Requires Director of Department of Human Resources to include in State Plan for Medicaid requirement that young adults who have "aged out" of foster care are eligible for Medicaid. (BDR 38-668)**

Assemblywoman Barbara Buckley, District 8, presented A.B. 36. Ms. Buckley said that during the interim she had served as the Vice Chairwoman of the Legislative Committee on Children, Youth, and Families, which had led to A.B. 36. She explained that the bill would allow Medicaid coverage for children "aging out" of foster care between the ages of 18 and 21. She pointed out that many of those children had been in the state's care for years and were not ready to be completely self-sufficient at age 18. Health care coverage was essential for those children as some would not have health insurance with their jobs and others might be in school. The bill was a "lifeline" to some of those children, particularly those with chronic conditions.

Ms. Buckley noted that Dr. Thom Reilly, prior to his service as Clark County Manager, had been a professor at the University of Nevada, Las Vegas, and was hired by the state to conduct a survey of how children were faring as they aged out of the system. She said the committee had been touched by the story a girl had told of her brother who was diabetic and had passed away as a result of rationing his insulin. He had left the system without health care coverage and a chronic condition, and the state, as guardian, had not done a good job. One reason for that was because there was no funding source to provide health care for the children aging out of foster care.

Ms. Buckley opined that A.B. 36 was a measure that needed to be taken and she urged the Committee's support.

Charles Duarte, Administrator, Division of Health Care Financing and Policy, Department of Human Resources, indicated he was present to answer questions regarding the revised fiscal note (Exhibit B).

Assemblywoman Leslie asked Mr. Duarte to explain the revised fiscal note.

Mr. Duarte said the revised fiscal note adjusted the Federal Medical Assistance Percentage (FMAP) rate for the program through FY2007, updating the cost per eligible and reducing the caseload based on testimony from Dr. Reilly. Mr. Duarte pointed out that the revised fiscal note had a General Fund impact of approximately $214,000 in FY2006 and $323,000 in FY2007. The total would be approximately $540,000 over the biennium with a January 1, 2006, start date.

Ms. Buckley interjected that there would only be a small percentage of children who actually would apply for the coverage. The majority would be "happy to be rid of the state bureaucracy," but for those children with chronic conditions who needed ongoing medical treatment, it would be a lifeline.

Assemblywoman Gansert commented that there appeared to be a federal match of more than $1 for each $1 spent by the state. Mr. Duarte indicated that was correct.

Chairman Arberry requested clarification, and Mrs. Gansert reiterated that the federal match appeared to be more than $1 of federal money to each $1 of state money. She said the percentage might be 45 percent state funding and 55 percent federal funding.

Mr. Duarte agreed and said that was the approximate FMAP for the biennium.

Ms. Leslie opined that the fiscal note was very reasonable, and it was unlikely that all of the money would be used. She said the legislation had been a priority for the Legislative Committee on Children, Youth, and Families for several years, and she hoped that the Legislature would pass the legislation as it was a good way to provide the youth with the ongoing services that they needed.

Assemblywoman Giunchigliani said that there had been legislation regarding other aging out issues, and there had been discussion of a fund that the youth could use for education purposes. She asked if that fund could also be used for health care.

Ms. Buckley said that it could be used for health care, but only for relatively small amounts since the fund was capped at $1,000 per child. The fund was unable to pay enough in health insurance for every child. Additionally, the use of that fund would mean there would not be emergency rent money if it was needed. There was not enough money in the fund to sustain all those activities.

Ms. Buckley indicated that the fund to which Ms. Giunchigliani was referring was used primarily for rent, security deposits, driver's license and registration fees, and other necessary items. Ms. Giunchigliani pointed out that the fund had been underutilized because the youth were not aware that it could be used. Ms. Buckley said that had been the case, but now it was running very well.

Jon Sasser, Washoe Legal Services, spoke in support of A.B. 36. Mr. Sasser said the need for A.B. 36 was obvious, and he thought it was reasonable to assume a slow start-up in the program. Perhaps in the future children would age out of the system and be given an orientation packet encouraging participation in the program. However, the population between the ages of 18 and 21 had been off the program for a while, so an outreach effort would be needed to find them, and it was unlikely that a large percentage of those youth would be brought back into the program.

Diana Glomb-Rogan, representing Nevada Youth Care Providers, a group of foster parents and agencies that provided foster care for children with severe emotional problems, expressed support for A.B. 36. Ms. Glomb-Rogan said that there were many children who left foster care without a safety net, and A.B. 36 would be a start for them. She added that the recommendation had been an issue for several years, and she hoped that the Committee would support the measure.

Jan Gilbert, representing the Progressive Leadership Alliance of Nevada, spoke in support of A.B. 36. Ms. Gilbert said the legislation was needed and was important for the community.

Michael Capello, Director, Washoe County Department of Social Services, added his support of A.B. 36. Mr. Capello remarked that as the director of one of the local child welfare agencies, he saw firsthand the critical needs of the youth as they aged out of the foster care system. Oftentimes, the youth had been receiving medical treatment and ongoing prescription medications, which were needed to maintain their physical and mental health, and upon leaving the system they were no longer eligible for Medicaid coverage and were unable to receive some of those basic medications that they needed. He said that the bill would help the children support themselves and keep them out of homeless shelters and emergency rooms. Mr. Capello urged the Committee's support of A.B. 36.

Assemblyman Perkins commented that there had been much discussion regarding transition care and transitional services for individuals leaving the prison system; however, the youth who were leaving the foster care system had been neglected. Mr. Perkins opined that sometimes priorities got confused.

As there were no further comments, Chairman Arberry closed the hearing on A.B. 36 and opened the hearing on A.B. 47.

Assembly Bill 47 (1st Reprint): **Requires certain children referred to system of juvenile justice to be screened for mental health and substance abuse problems. (BDR 5-194)**

Assemblywoman Sheila Leslie, District 27, presented A.B. 47. Ms. Leslie explained that she had been the Chairwoman of the Legislative Committee on

Juvenile Justice, which had submitted the legislation. She noted that the bill had been sent to the Assembly Committee on Judiciary and had been amended, and she had read the amended form and was in support of the bill.

Ms. Leslie explained that A.B. 47 required juvenile detention centers to provide mental health and drug and alcohol screening. She pointed out that a large percentage of youth in the juvenile justice system had mental health needs or substance abuse problems. She opined that it was time to ensure that screening was happening 100 percent of the time because the juvenile detention centers provided a great opportunity to find what was happening with the children as much of the time behavior was linked to a mental health issue or a substance abuse issue.

Jone Bosworth, Administrator, Division of Child and Family Services, Department of Human Resources, addressed the Committee and said that A.B. 47 was a critical bill for Nevada to ensure that when children entered one of the state's 9 juvenile detention facilities they were screened for mental health or substance abuse issues. She said that the original fiscal note submitted had contemplated an oversight role of the Division in terms of those 9 facilities where the Division would be promulgating regulations, performing quality assurance checks, and so forth. Since that time, the Division's role had been clarified and its responsibility was to approve a research-based instrument that was reliable and valid for identifying a child who was in need of mental health services or was an abuser of substances. That would significantly narrow the role of the Division, which meant the fiscal note would be significantly less as well. The revised fiscal note requested $4,870 to conduct the regulatory work that needed to be done, including the regulation development, clerical assistance, the publication of notices, workshops, and hearings, and the Legislative Counsel Bureau cost per regulation.

Since no one else wished to testify, Chairman Arberry closed the hearing on A.B. 47 and opened the hearing on A.B. 233.

Assembly Bill 233 (1st Reprint): **Makes various changes relating to homeland security. (BDR 19-1200)**

Assemblyman Richard Perkins, District 23, presented A.B. 233. Mr. Perkins read the following statement:

> During the 2003 Legislative Session with terrorism at the forefront of everyone's mind, I brought forth two bills: A.B. 250 and A.B. 441. Assembly Bill 441 of the 72nd Session came in recognition that Nevada needed legislation to improve key elements within the state security industry and emergency response. It was passed establishing a framework to ensure the security of the citizens of Nevada, in essence creating the Commission on Homeland Security. Yet there is more work to be done.
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> Assembly Bill 233 expands on the work we did last session. Aside from dealing with issues having to do with the Commission on Homeland Security, the bill also created the office of Economic Development of the Security Industry in the Office of the Governor. Within the Homeland Security Commission, there is constant discussion on how we can better improve Nevada's safety, whether that is tourism security or biomedical technology, we as a state should be at the forefront of developing new ways to further advance the security industry. This bill does just that.

> The office created establishes policies concerning the development of businesses in the state that conduct research, training, testing, and product creation within the security industry. In addition, this office, working with the University and Community College System of Nevada, will investigate and study conditions affecting businesses and engaging technical studies necessary to develop those businesses within the security industry. Such studies will help facilitate new ideas and innovate approaches to promote this industry, improving Nevada's safety.
>
> Nevada needs an entity that stands alone, and yet has the invaluable input from various agencies, which will be designed to encourage the development of this vital industry. Improving on our safety is Nevada's top priority.

Mr. Perkins explained that there were several reasons why A.B. 233 had been brought before the Committee. There were positions requested by the Division of Emergency Management, and the bill had been amended adding an appropriation for the creation of the Office of Economic Development of the Security Industry.

Mr. Perkins said he had traveled to the Nevada Test Site several years earlier with U.S. Senator Harry Reid and Homeland Security Director Tom Ridge, and had visited a number of the laboratory sites in Nevada. Nevada was uniquely prepared to be a laboratory for security and to develop businesses in the security industry that would flourish throughout the world. He opined that technology would create a safer world, and Nevada could lead the way with the University and Community College System working in conjunction with the laboratories at the Nevada Test Site. Mr. Perkins concluded it was a small investment for a very large return for the state, and Nevada would be "on the cutting edge for keeping the world safe."

Chairman Arberry noted that the bill contained a request for an additional position in the Governor's Office. Mr. Perkins explained that the bill would create the Office of Economic Development of the Security Industry in the Office of the Governor. The appropriation in Section 14 of A.B. 233 for each of the fiscal years helped create and support that office, but he was uncertain as to whether an additional position would be needed. He indicated that General Vanderhoof was present to answer questions.

Chairman Arberry asked why the new office would be placed in the Governor's Office rather than in Homeland Security. Mr. Perkins said there had been many discussions about where to place the new office, but the Homeland Security structure was primarily under the Department of Public Safety, and the bill focused on an agency for economic development. The Department of Public Safety was more appropriate for law enforcement and public safety activities, while the Governor's Office was the appropriate place for economic development activities.

Frank Siracusa, Chief, Division of Emergency Management, Department of Public Safety, directed the Committee's attention to the fiscal note attached to A.B. 233. Mr. Siracusa asked the Committee to remove the fiscal note in its entirety. He explained that Section 4 of the original version of the bill required every political subdivision or local government agency that wanted to apply for a grant related to homeland security to submit that application to the Commission on Homeland Security for review and approval before applying for the grant. The bill had been revised and now required each political subdivision that received a grant related to homeland security to submit that information to the Commission on Homeland Security. Due to that change, the fiscal note was no longer necessary.

Ms. Giunchigliani commented that she liked the original version of the bill that required a review process. She pointed out that the state had received $67 million for homeland security, but there was still not enough money to fix the interoperable communications systems. She opined that it would be better to have the state's priorities outlined before the money was disbursed and agencies requested General Fund monies for issues that should have been covered through the other funding.

Mr. Siracusa explained that the Commission on Homeland Security had authorized an interoperability plan, and the Department of Information Technology had been granted $300,000 to develop that interoperability plan and the approval date for that plan had been extended to October 1, 2005. Future homeland security dollars would be used for the purchase of communications equipment that adhered to the plan. Ms. Giunchigliani asked if those funds would be from the federal government, and Mr. Siracusa indicated that was correct.

Mr. Siracusa added that the $67 million to which Ms. Giunchigliani had referred was part of the Homeland Security Grant Program. Currently, that funding was allocated based on the state's overall security strategy, such as first responder equipment, training, and so forth.

Ms. Giunchigliani questioned how duplication was avoided without review because there was a great deal of funding for homeland security. Mr. Siracusa said that was money from the Office of Domestic Preparedness, but there was additional homeland security money from the Centers for Disease Control and Prevention, the U.S. Health Resources and Services Administration, and from the U.S. Department of Agriculture. He agreed that it was difficult to coordinate and there had been some duplication, but to address that problem, the legislation would require each agency that received homeland security funds to report to the Commission.

Ms. Giunchigliani asked if the Commission's meetings were public, and Mr. Siracusa indicated that was correct.

Ms. Giunchigliani noted that she had seen legislation allowing for closed meetings, and she wanted to know if that was included in A.B. 233.

Major General Giles E. Vanderhoof, the Adjutant General, Homeland Security Administrator, addressed Ms. Giunchigliani's question. General Vanderhoof explained that there were provisions for closed meetings, but those meetings were in regard to vulnerability assessments and classified security matters. Any matter that did not fall within those areas was open to the public.

Ms. Giunchigliani asked how it was decided that certain issues would not be open to the public. General Vanderhoof said the Chairman of the Commission or the Governor made those decisions. He indicated that he would be providing some of the vulnerability assessments and they contained information that should not be made public. He added that communications interoperability was a top priority along with the vulnerability assessment. Nevada had done fairly well in strengthening the information sharing among the intelligence agencies, and the interoperable communications, which involved radios, computers, video, et cetera, was a focus. He noted that the Commission on Homeland Security determined the priorities for the Division of Emergency Management as far as handling and approving grants within the criteria established by the federal government.

Ms. Giunchigliani referred to Section 5 of A.B. 233 and questioned the use of the word "shall." She remarked that there were many federal programs that the state chose not to participate in, and she asked why the word "shall" had been used.

Mr. Siracusa noted that there were programs the state had to have in order to be eligible for federal money. The National Incident Management System (NIMS) was one such required program, and by federal FY2007, no state agency, local government, or political subdivision would be eligible to receive any federal homeland security grant dollars unless that program was adopted.

Ms. Giunchigliani asked if there would be a fiscal impact on the state and local governments if they complied. Mr. Siracusa responded that if the governments complied they would be eligible to receive the federal dollars. He explained that the requirement was that the state needed to follow certain guidelines of the NIMS and the federal government was providing funding through the Homeland Security Grant Program to allow local governments to meet the criteria.

Ms. Giunchigliani commented that the language in Section 5 should say "adopt the national system" rather than "adopt any national system" because the state might choose to not participate in a program down the line. She asked if the removal of the fiscal note would necessitate the deletion of Section 3.

Mr. Siracusa said that Section 3 did not need to be deleted. Section 4 of the original version of the bill had placed additional requirements on the Commission and the Office of Homeland Security, but the revision had removed those additional duties by requiring local governments to submit information after grants had already been approved. That would eliminate the requirement for additional work and eliminate the fiscal note.

Ms. Giunchigliani asked if the requirements in Section 3 would be funded through federal funds. Mr. Siracusa explained that when A.B. 441 of the 2003 Legislative Session had been proposed, it had contained a fiscal note for two positions funded entirely through the General Fund to provide support to the Commission. In the current proposed budget for the Office of Homeland Security, there were some additional positions. Also, within A.B. 441 the Governor could appoint a state agency to provide support to the Commission, and he had appointed the Division of Emergency Management. He said the requirements in that bill were being fulfilled by the two staff positions assigned to the Commission and currently there was no need for additional positions.

Ms. Giunchigliani remarked that there could be an impact on the General Fund. She asked if there was a flow chart that showed how Homeland Security was organized and what the effects of A.B. 233 would be.

General Vanderhoof said he would provide an organizational chart that showed the relationship between his Office of Homeland Security, the Division of Emergency Management, and the Commission on Homeland Security, as well as the positions that were being requested. He noted that the two positions that Mr. Siracusa mentioned had been approved in the previous legislative session, so those two were still in the budget and were funded through General Fund monies.

Ms. Giunchigliani asked if the chart would show what duties those positions were performing and why it was necessary to add more personnel. General Vanderhoof said more personnel were not being added to the Commission on Homeland Security. Ms. Giunchigliani pointed out that the bill would add an Office of Economic Development of the Security Industry in the Office of the Governor as well as positions such as an executive assistant, a policy analyst, a grant analyst, and a specialist in public information.

General Vanderhoof said the bill contained the language "may employ" referring to those four positions. Those positions were not currently being requested. Ms. Giunchigliani said she looked forward to seeing the organizational chart as well as what had been approved in A.B. 441 and why there was potentially a need for those four additional positions.

General Vanderhoof clarified that the information he would be providing to the Legislative Counsel Bureau would be an organizational chart showing the two positions that had been approved the previous session for the Commission. He realized that the bill said additional positions "may" be added, but he was not aware of any such plan to create those new positions.

Ms. Giunchigliani said she appreciated that the bill said "may employ" but she opined that giving that authority to employ and allowing the use of General Fund monies for those positions was unwise.

Assemblywoman McClain noted that positions were being requested in the Office of Homeland Security budget, and she asked if the bill would create additional positions.

General Vanderhoof explained that the positions he was requesting for his office were a separate issue and not included in A.B. 233, which was related to the Commission on Homeland Security.

Ms. McClain asked if an additional position would be needed if the bill was approved. General Vanderhoof repeated that the positions in A.B. 233 were for the Commission on Homeland Security, not for the Office of Homeland Security.

Ms. McClain asked why the additional position was needed. General Vanderhoof explained that the two positions requested for the Commission would be aligned with the Office of Homeland Security but would be under the control of the Commission and the chairman of the Commission. He pointed out that the Commission did not have state employees, so while the positions would be aligned with the Office of Homeland Security, they would not work for the Office. They would work for the Commission on Homeland Security.

General Vanderhoof added that he had requested five positions for the Office of Homeland Security, including his own position. Four of the positions would be funded through federal grant money, while an administrative aide position would be funded through the General Fund. Those positions would work in the Office of Homeland Security, and the Office collaborated with the Division of Emergency Management and the Commission on Homeland Security.

Assemblywoman Gansert remarked that she had seen the organizational chart and she believed that the Commission and the Office were running in parallel under the Governor's Office. General Vanderhoof said the Office of Homeland

Security was currently under the Governor's Office, but on July 1, 2005, it would be under the Department of Public Safety.

Assemblywoman Weber asked if the four positions were in addition to the positions that had been discussed in a previous hearing. General Vanderhoof emphasized that the Commission and the Office of Homeland Security were two separate entities and, while they collaborated, one did not work for the other.

General Vanderhoof added that the only reason that the two Commission employees funded through the General Fund were connected to the Office of Homeland Security was for administrative support. He did not have supervisory authority over those positions because they supported the Commission.

General Vanderhoof indicated that the other requested positions were for the Office of Homeland Security, which was separate from the Commission. He noted that there had been three employees, he had asked for eight, and five had been placed in The Executive Budget. He noted that there had been some confusion regarding what those positions did due to current state position descriptions and duty titles. He had redone the organization chart to show the relationship between the Division of Emergency Management, the Homeland Security Administrator, and the Commission on Homeland Security. Within the Office of Homeland Security, he had outlined duty titles and a brief description of their actual duties, so the Committee would have a better understanding of the request. General Vanderhoof concluded by stating that he supported A.B. 233.

Stan Olsen, Las Vegas Metropolitan Police Department, Nevada Sheriff's and Chief's Association, spoke in support of A.B. 233 and the creation of the Office of Economic Development of the Security Industry. Mr. Olsen said it was an excellent opportunity for the State and University System to become a leader on that issue throughout the world. In the Las Vegas Metropolitan Police Department, a significant number of resources had been committed for homeland security, and the new office would be of great use for everyone throughout the state.

Mr. Olsen referred to an earlier question Ms. Giunchigliani had asked regarding closed meetings, and he explained that the closed meeting language had been in another bill, but had been amended out and existing language from the previous session would stand.

As there was no further testimony, Chairman Arberry closed the hearing on A.B. 233 and opened the hearing on A.B. 279.

Assembly Bill 279 (1st Reprint): **Revises provisions governing education. (BDR 34-864)**

Assemblywoman Chris Giunchigliani, District 9, presented A.B. 279. Ms. Giunchigliani explained that A.B. 279 contained a fiscal note for providing assistance to high school students to pay for dual-credit classes and textbooks. She indicated that the University and Community College System of Nevada (UCCSN) had suggested an amendment in Section 25, subsection 3. The language in that subsection would be deleted and replaced with language stating "the State Board of Education and the Board of Regents shall develop a mechanism to improve access to dual-credit courses for high school students. Subject to UCCSN institutional approval, dual-credit classes taught by high school teachers at high school campuses may be considered."

Ms. Giunchigliani said the UCCSN needed more time to implement the dual-credit program, and she suggested that the funding request for $250,000 in Section 31 be deleted because she did not want to pay for something the UCCSN was not prepared to do.

Dr. Dotty Merrill, Assistant Superintendent, Public Policy, Accountability and Assessment, Washoe County School District, addressed the Committee. Dr. Merrill said that when A.B. 279 was heard in the Assembly Committee on Education, the District had spoken with Ms. Giunchigliani about concerns related to the completion of credits.

Ms. Giunchigliani said that she was aware of those concerns and had deleted subsection 2 of Section 28.

Dr. Merrill said that in addition to that issue, the District was concerned about the impact of requiring credits above and beyond what were currently required for students in middle school or junior high school. For the Washoe County School District, that would involve having middle school registrars, which the District did not have, and which would create a fiscal impact on the school district. She indicated that she had been advised that the cost for registrars would be approximately $300,000 per year. Dr. Merrill thanked Ms. Giunchigliani for her willingness to work with the District, and she added that if the State Board regulations were not to extend beyond the existing regulations for English, language arts, and math, then there would not be an additional expense for the District because additional personnel would not be needed.

Chairman Arberry asked if there were any further comments regarding A.B. 279. There being none, he closed the hearing on A.B. 279 and opened the hearing on A.B. 464.

Assembly Bill 464 (1st Reprint): Makes various changes regarding manufacture, sale and use of tobacco products. (BDR 32-1028)

Sam McMullen, representing the Retail Association of Nevada, and Altria Corporation, the parent company for Philip Morris, provided Exhibit C and Exhibit D to the Committee. Mr. McMullen explained that A.B. 464 had been heard in the Assembly Committee on Commerce and Labor. The bill would clarify and allow for more criminal provisions in the regulation of cigarette counterfeiting, cigarette smuggling, contraband cigarettes, Internet sales, and would protect the fisc, both in the sense of the settlement agreement funds that were used for various purposes in the state as well as tax revenues.

Mr. McMullen said the increase in illegal activities coincided with the increase in the excise tax rates on tobacco, and in order to continue collection of those taxes, it was necessary to strengthen the laws to combat those illegal activities.

Victoria Oldenburg, Chief Tobacco Counsel, Office of the Attorney General, addressed the Committee. Ms. Oldenburg indicated that she had submitted a letter and amended fiscal note (Exhibit E) to the Legislative Counsel Bureau on May 5, 2005, and those changes had been premised on meetings and discussions with the Department of Taxation. The fiscal note had been amended to $190,788 over the biennium.

Chairman Arberry asked how many additional positions were anticipated in the fiscal note. Ms. Oldenburg said there would be one half-time senior deputy attorney general position in Carson City and one half-time deputy position in Las Vegas for a total of 1 additional deputy position.

Chairman Arberry questioned whether the outcome would be worth the cost of enacting the legislation. Ms. Oldenburg said there were revenue gains that would be achieved if the bill were enacted. She noted that the legislation, if passed, would go into effect January 1, 2006. She did not have exact figures as to lost revenue, but the Attorney General's Office anticipated a great deal of enforcement activity over the years, and once past the initial start-up time, there should be revenue gains. She pointed out that the Attorney General's Office would be coordinating with federal agencies and bordering states because counterfeiting activities generally crossed state borders. She noted that the state of Oregon had been successful in enforcement.

Dino DiCianno, Deputy Executive Director—Compliance, Department of Taxation, provided Exhibit F, which outlined the Department of Taxation's amended fiscal note to A.B. 464. Mr. DiCianno explained that with the effective date change from July 1, 2005, to January 1, 2006, the Department believed the fiscal note would then be approximately $1.2 million over the biennium. That cost included certain components, including staffing, which would be one management analyst I position, two compliance audit investigator III positions, and three administrative assistant II positions. The bill also required the Department to keep track of information down to an individual pack produced by any manufacturer, which meant a computer program would be needed to obtain and record the information.

Mr. DiCianno added that with respect to revenues, it was premature to say that there would be revenue gains or how much those gains might potentially be. He informed the Committee that there had been a situation a few weeks prior where the Department's audit investigators participated in a sting operation with the Las Vegas Metropolitan Police Department involving seven convenience stores. He emphasized that the targets were not the convenience store owners, but the suppliers of the contraband cigarettes because they were the "bad guys." The investigators had been able to convince one of the convenience store owners to call the supplier and with police help, the Department was able to "bust the bad guys." He asserted that the issue was not just tax revenue but was also catching the bad guys and confiscating the bad product.

Assemblyman Marvel asked if the state would be able to recover $1.2 million. Mr. DiCianno said he did not know. The issue was not merely a matter of ensuring that the excise tax was paid; the purpose was to find and arrest those people and ensure that the product was being taxed properly and sold by legitimate businesses from the wholesalers to the suppliers, the suppliers to the retailers, and the retailers to the consumers. Mr. DiCianno noted that there had been conservations with other states, and other states were experiencing a revenue gain, although those states had larger units than the unit being proposed for Nevada. He reiterated that he was not sure what the gain in revenue would be for Nevada.

Mr. Marvel questioned the amount in cigarette taxes the state received. Mr. DiCianno said he did not have those figures with him. Mr. Marvel asked how much the bust Mr. DiCianno had referred to was worth. Mr. DiCianno said that was worth approximately $100,000. Not only had product been confiscated, but liquor, firearms, and money had been confiscated as well.

Mr. Marvel asked how much was escaping taxation. Mr. McMullen said that was difficult to determine, but there were some indications from the

Philip Morris part of the task force that it was possible that as much as 5 percent of cigarette sales in Las Vegas were contraband. He added that 1 percent of contraband sales in the state of Nevada was worth $1.2 million per year in terms of lost revenue.

Mr. Marvel asked if the sale of the illegal cigarettes could be curtailed in two biennia. Mr. McMullen stated that they would "make a real stab at it." He noted that there were multi-state task forces, and Philip Morris used its own resources to identify contraband and counterfeit cigarettes and counterfeit tax stamps and then that information was turned over to law enforcement entities, which included the Department of Taxation because the Department could perform inspections of dealers.

Mr. McMullen added that during the previous session there were two trucks selling cigarettes, one at the south end and one at the north end of Carson City, and the problem was everywhere. The one bust that Mr. DiCianno had referred to gave some indication of how much was escaping taxation.

Chairman Arberry asked if the bill included a fee. Mr. McMullen said there was no fee. He explained that retail dealers currently had no license fees, but wholesale dealers did have a $150 fee that had been in place since 1947. There was no fee on manufacturers. There had been mention of raising the fee to soften the fiscal impact, but that had not been discussed with the Governor's Office.

Mr. Marvel asked how much the fee would be increased. Mr. McMullen indicated that a $500 fee per license for both manufacturers and wholesalers would raise $385,000 per year. He noted that Section 50 of the bill contained a standard forfeiture clause for purposes of seizure of paraphernalia and equipment used in illegal activities. Once the laws were strengthened, the state could seize and then sell those resources confiscated on the criminal premises, which was another potential source of revenue that could be returned to the General Fund.

As there was no further testimony, Chairman Arberry closed the hearing on A.B. 464 and opened the hearing on S.B. 91.

Senate Bill 91 (1st Reprint): **Makes supplemental appropriation to Department of Corrections for unanticipated operating, maintenance, inmate-driven expenses and utilities for Fiscal Year 2004-2005 and for expenses for services relating to takeover of Southern Nevada Women's Correctional Facility for Fiscal Year 2004-2005. (BDR S-1192)**

Lorraine Bagwell, Administrative Services Officer IV, Department of Corrections, presented S.B. 91. Ms. Bagwell said that S.B. 91 made a supplemental appropriation of $3,719,069 to cover unanticipated operating, maintenance, inmate-driven expenses and utilities for FY2005, as well as expenses related to the takeover of Southern Nevada Women's Correctional Facility.

In response to Chairman Arberry's question, Ms. Bagwell indicated that the amount was still valid.

Assemblyman Seale asked what had caused the numbers to increase more than had been anticipated. Ms. Bagwell said that the amount for Southern Nevada Women's Correctional Facility was within $575 of the estimate given to the Interim Finance Committee. In the other budget accounts, there were more inmates than had been projected originally, and there had been increased costs in utility rates.

Chairman Arberry closed the hearing on S.B. 91 and opened the hearing on A.B. 77.

Assembly Bill 77 (1st Reprint): Revises provisions regarding courses in automobile drivers' education and requires reduction in insurance premiums for certain insureds. (BDR 34-474)

Assemblywoman Chris Giunchigliani, District 9, presented A.B. 77, which would direct the school districts to reinstate the drivers' education program. Ms. Giunchigliani noted that the program had been offered in schools, but four years earlier the districts had been given the flexibility to allow site administrators to determine whether to offer drivers' education. Most had chosen not to offer that program. Since then there had been a large number of youth who had been involved in accidents, some of which could have been attributed to the lack of driving skills.

Ms. Giunchigliani opined that it was appropriate to bring back the program and ensure that drivers' education was offered on school campuses. She pointed out that the school districts had attached a fairly large fiscal note to the bill; however, the issue was that the per-pupil funding had not been decreased when the districts had decided to eliminate drivers' education. The districts had not rebated the funding that had been provided for drivers' education, and that money had been used for other programs.

Ms. Giunchigliani said she was asking that the districts reprioritize to provide drivers' education and save lives. She asserted that drivers' education worked, and the legislation was flexible enough to allow for rural county assistance. There were many options: simulators could be used, there could be Saturday classes, the districts could contract with individuals, and so forth. She noted that there were eight schools in Clark County that still offered drivers' education. A key component in the bill was that the students had the practice time behind the wheel.

Ms. Giunchigliani added that there had been many discussions regarding the graduated driver's license, and the Assembly Committee on Transportation wanted to make it clear that not many parents had the time or ability to document the required 50 hours so it was time to return to the in-class practice. She said she had tried to make the legislation as flexible as possible without losing the intent, and she did not believe there was a fiscal note as the districts had never returned the money that had been allocated in the first place.

Mr. Marvel questioned the district's reprioritization and asked which programs could be eliminated to allow for the drivers' education program. Ms. Giunchigliani said she was not sure what programs the districts had funded instead of drivers' education, but when the districts had been given flexibility, they had simply eliminated drivers' education.

Mr. Marvel asked if some of the car dealers still donated cars to the schools for drivers' education. Ms. Giunchigliani indicated that some dealers still donated cars and the districts would need to approach local dealerships for those donations.

Assemblyman William Horne, District 34, addressed the Committee. Mr. Horne said he was informed that the school districts were of the opinion that they would have to purchase cars at a discount, and he had received conflicting information as to whether cars were donated or purchased at a discounted rate.

Mr. Horne alluded to earlier discussion and said there were fewer than eight schools in Clark County that offered drivers' education programs; however, the schools had been eliminating that program since flexibility had been granted.

Mr. Marvel noted that the drivers' education program used to have an impact on insurance premiums.

Ms. Giunchigliani said that issue was addressed in Section 3 of the bill, which stated that the commissioner would work with the insurance industry to give the parents discounted rates if their children passed drivers' education.

Mrs. Gansert commented that Washoe County offered volunteer courses during the summer. She asked if the students were charged for the drivers' education program.

Ms. Giunchigliani said that students were paying for those courses. She said she had tried to make the legislation flexible enough to allow the school districts to decide when and how to offer the course—before school, after school, summer school, Saturday school, et cetera. She opined that the state had an obligation to ensure that youth were properly educated in all areas, including the area of drivers' education.

Mr. Horne added that the school districts believed that the students needed drivers' education, but there was a question as to whether or not that responsibility should fall to the schools. The legislation was written to allow great flexibility for the schools, and the Committee would need to make a policy decision as to whether or not it was the schools' responsibility to teach drivers' education and whether or not the program was already funded through per-pupil funding. Mr. Horne said it was funded and it would be a matter of reprioritizing.

Ms. Giunchigliani interjected that it was reasonable to request donations from car dealerships. She noted that the effective date was July 1, 2005, which could be changed to allow for a more gradual phase-in of the program. Mr. Horne agreed that the bill could be amended to help the school districts.

Joe Guild, representing State Farm Insurance Company, spoke in support of A.B. 77. Mr. Guild pointed out that State Farm Insurance had always offered the discounted rate for those completing a drivers' education course. A few changes had been made in the first reprint and he offered suggestions for further amendments.

Mr. Guild directed the Committee's attention to Section 3, subsection 1, on page 6, which related to the discount. He noted that there was no age restriction, which meant that once a teen driver was given the discount, he could theoretically be given that discount forever. Mr. Guild suggested that a sentence be added after subsection 1(d) to read "the course was taken within the immediately preceding 3 years; and the person who has completed a course in drivers' education pursuant to NRS 389.090 has not attained the age of 20 years." The bill was clearly aimed at teen drivers, which the age requirement would address.

Mr. Guild also suggested that subsection 3(b) in Section 3 be clarified because it currently read that the discount applied to a vehicle, and that vehicle could be driven by the individual who had taken the drivers' education course as well as a sibling or other family member who had not taken the course. That language needed to be clarified so that only the driver who had taken the course would receive that discount. He suggested deleting the words after "motor vehicle of" and adding "operated by a person who has completed the drivers' education course." Mr. Guild concluded by stating that State Farm fully supported the concept of A.B. 77.

Chairman Arberry requested that Mr. Guild provide his suggestions in writing.

Ms. Giunchigliani interjected that subsection 1(b) on page 6 included a provision that the discount would be allowed as long as the course was taken within the immediate preceding 3 years.

Mr. Guild said he appreciated that, but it did not appear to be adequate, and he would submit the proposed amendments in writing.

Kenneth Kruger, Chief Executive Officer, All American Driving School, made the following statement in support of A.B. 77:

> I am in favor of A.B. 77 but will request one amendment to allow an advanced automobile simulator to be used for the motor vehicle component. I have given you a copy of the amendment (Exhibit G).
>
> Teaching in a motor vehicle in a place like Pioche, Nevada, would be a real waste of time; a simulator would be of its greatest value there. Even Carson City is a hard place to find areas that are suitable for a wide range of instruction. In every case the simulator is superior to teaching in a motor vehicle.
>
> Assuming the use of the simulator, I have offered to teach in all 16 school districts in Nevada that have high schools, using my online driver education course and 6 hours of simulator training for $440 per student for the rural school districts or $320 per student for the entire state. The cost for every student in the state would be approximately $9.6 million, of which $8.1 million could be passed through as a lab fee. The total cost to the state would be $1.5 million. If divided among the school districts, the cost would be $1,115,000 for Clark County; $250,000 for Washoe County; and $150,000 for the rural school districts, assuming 23,000 students for Clark County, 5,000 students for Washoe County, and 2,000 students for the remaining school districts. This is a per annum price.
>
> By contracting all the driver education to my school, the school districts would have all the school time for their regular subjects, would not lose any classroom space, and would only have to have room in a classroom or a library to let students take final tests on a computer that has Internet access, and give me a secure space with a 110-volt power source to park a truck with five simulators on board.
>
> If it is decided that the state or the school districts cannot afford this, I still recommend the bill be passed with a change in line 23, on page 3, where the word "shall" should be changed to "may." Doing so will keep the bill intact with the same improvements to drivers' education. It is a very valuable bill. Thank you.

Dr. Dotty Merrill, Assistant Superintendent, Public Policy, Accountability and Assessment, Washoe County School District (WCSD), spoke about the anticipated fiscal impact of A.B. 77. Dr. Merrill said the WCSD had provided a fiscal note previously, and it was anticipated that to have drivers' education at the other 8 comprehensive high schools in the District and to purchase textbooks, the cost would be over $700,000 for the classroom portion of the instruction.

Dr. Merrill added that if the bill required behind the wheel practice or simulators there were also costs associated with those. A simulator lab of 16 units would cost approximately $100,000, and as all schools would have to install those labs, the cost for the WCSD would be $1.2 million. She informed the Committee that the District had not spoken with any dealerships that had indicated a tendency to donate cars or sell cars at a reduced rate, which meant that two cars per school at $20,000 per car would cost $480,000 for the District.

Dr. Merrill pointed out that the Washoe County School District had offered drivers' education classroom instruction through the community education program for those students not attending the schools where it was offered as an elective credit. The community education program had been very popular and more than 1,000 students completed the drivers' education course each year. Additionally, the District had only four teachers who were certified to teach driver education. The effective date would have an adverse fiscal impact on the District as well as make it difficult to find instructors.

Dr. Merrill said she appreciated the intention of the bill and the intentions of its sponsors, but the fiscal impact on the Washoe County School District would be substantial.

Joyce Haldeman, representing the Clark County School District, addressed the Committee. Ms. Haldeman said the District was very supportive of drivers' education, but the fiscal note was extensive, depending on what level of drivers' education the District was asked to provide. If it was simply an in-class component, that could be managed with very little cost. Simulators would be an ongoing expense. She noted that the funding that Ms. Giunchigliani had referred to earlier had been provided to the school districts in 1979 and had been used to purchase simulators. There had not been any additional funding, and schools had been unable to repair or replace the simulators.

Ms. Haldeman commented that there were also problems with the amount of time required, whether it was offered as a half credit or a quarter credit. If the schools were required to have simulators there would be a cost to the school district. The actual driving practice was the most problematic because, even though the bill offered districts the ability to offset the cost with fees, the cost for the hands-on instruction would be $6.2 million for the Clark County School District. The Clark County School District was projecting 23,000 high school sophomores in the upcoming school year, and those students would need drivers' education, but that could not be done during class time.

Assemblyman Seale referred to earlier comments that drivers' education was included in the per-pupil funding and he asked for additional detail.

Ms. Haldeman emphasized that there had been an appropriation of $200,000 in each year of the 1979-81 biennium to purchase simulators and drivers' education had been offered as an elective, which meant, as an elective, it could be funded through per-pupil funding like any other elective offered by the District.

Ms. Haldeman explained that until 1995 the drivers' education course had been paired with a required health class and all sophomores took those classes. In 1995, however, the Clark County School District added world history to the curriculum and changed the drivers' education and health component to a freshman year requirement. At the same time, the majority of insurance companies began offering a greater discount for good grades than the discount offered for completing the drivers' education course. The emphasis shifted toward academic achievement rather than the drivers' education course itself.

Ms. Haldeman added that when the law was passed in 1998 that required a 30-hour course, there had been difficulties as the Carnegie unit for a credit in school was 120 hours, which made the drivers' education course difficult as far as the amount of credit for which it counted. The school district had chosen to move away from drivers' education, not because of a lack of interest, but due to cost and other difficulties.

Ms. Haldeman emphasized that if the program was optional and could be held before or after school, and if the District could charge approximately $300 per student for the cost of the hands-on driving experience, then the school districts' fiscal note could be reduced.

As there were no further comments, Chairman Arberry declared the hearing on A.B. 77 closed and called for a brief recess at 10:16 a.m.

Chairman Arberry called the meeting back to order at 10:22 a.m. and indicated the Committee would consider budgets.

BUDGET CLOSINGS

GAMING CONTROL BOARD (101-4061)—BUDGET PAGE GCB-1

Leslie Johnstone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented two major closing issues in BA 101-4061. Ms. Johnstone explained that the first issue involved a recommendation for 9 new positions. She noted that two of the positions assigned to the Audit Division had already been approved by the Interim Finance Committee on January 12, 2005, and there had been technical adjustments to delete furnishings and equipment costs included in the funding for the current fiscal year, and therefore not needed in the upcoming biennium. In the Enforcement Division, there was a recommendation for one agent and two administrative assistants. Those positions would be assigned to the Gaming Employees Registration program, and the cost of the positions would be offset with fees. Four new investigative agents were recommended in the Investigations Division. Those positions were recommended based on workload and the costs were offset through transfers from the Investigative Fund. Additionally, one administrative aide position was being eliminated. That position was funded through the General Fund.

Ms. Johnstone indicated that the second major closing issue was Decision Unit E-710, which was funding for replacement equipment. Decision Unit E-710 included $470,000 in the first year and $96,000 in the second year of the biennium, most of which was General Fund. The agency had designated network equipment as the highest priority for use of the monies if approved. Staff had identified approximately $25,000 in savings utilizing updated computer prices that could be available to reduce the General Fund costs in E-710.

Ms. Johnstone pointed out that the Gaming Control Board requested approximately $398,000 that had not been included in The Executive Budget for computer equipment replacement and for replacement of personal computers given that the recommended funding level addressed network equipment. She informed the Committee that the Senate Committee on Finance moved to retain the $25,000 in the budget account to be applied toward additional computer replacement. There was also a General Fund savings of approximately $90,000 per year in the biennium due to technical adjustments on charges for the Statewide Cost Allocation. The Senate Committee on Finance had moved to retain the General Fund appropriation in the account and to use that for additional computer equipment.

Ms. Johnstone explained that there were a few other closing items, notably the credential pay for qualified staff. Staff recommended that funding be appropriated to the Board of Examiners account as had been the practice in the past year. The Gaming Control Board would then request a transfer from the Board of Examiners if necessary to fund credential pay expenses.

Ms. Johnstone noted that the Gaming Control Board would be pursuing the reclassification of several unclassified positions to different unclassified titles, and there was a cost associated with that. She asked approval to make technical adjustments in Decision Unit M-804 regarding the cost allocation of dispatch expenses from the Highway Patrol budget account.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, indicated that the Committee needed to make decisions regarding the new positions, which were funded primarily through investigative fees rather than General Fund. The second question was whether or not to retain the savings and use those savings to purchase replacement equipment. He noted that in the past the Legislature had included the credential pay plan in the salary pay bill and not within the Gaming Control Board's budget, and the Gaming Control Board would access that funding through the Board of Examiners.

> ASSEMBLYMAN MARVEL MOVED TO CLOSE BA 101-4061 WITH THE APPROVAL OF THE NEW POSITIONS, THE RETENTION OF THE $25,000 SAVINGS FOR THE PURCHASE OF COMPUTER EQUIPMENT, AND APPROVAL OF THE APPROPRIATION OF THE CREDENTIAL PAY TO THE BOARD OF EXAMINERS AS WELL AS OTHER TECHNICAL ADJUSTMENTS.
>
> ASSEMBLYMAN SEALE SECONDED THE MOTION.

Ms. Johnstone noted that the Senate Committee on Finance also had approved the retention of the $90,000 per year in savings as noted in the first closing item.

Ms. McClain clarified that the reclassification issue was not included in the motion and would be discussed when the unclassified pay bill was discussed.

Chairman Arberry indicated that Ms. McClain was correct and said that the motion was to close the budget account in the same manner as the Senate Committee on Finance.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

BUDGET CLOSED.

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GAMING COMMISSION (101-4067)—BUDGET PAGE GCB-8

Ms. Johnstone indicated that there were no major closing issues associated with the account and recommended closure with technical adjustments for computer equipment pricing.

ASSEMBLYMAN HOGAN MOVED TO CLOSE BA 101-4067 AS RECOMMENDED BY STAFF WITH TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

BUDGET CLOSED.

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GAMING CONTROL BOARD INVESTIGATION FUND (244-4063)—BUDGET PAGE GCB-12

Ms. Johnstone recommended approval of the budget as recommended by the Governor with permission to make any technical adjustments necessary to equalize the transfer amounts between the account and the Gaming Control Board.

ASSEMBLYWOMAN MCCLAIN MOVED TO CLOSE BA 244-4063 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

BUDGET CLOSED.

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COMMISSION ON ECONOMIC DEVELOPMENT (101-1526)—BUDGET PAGE ECON DEV-1

Laura Freed, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided an overview of the closing issues in BA 101-1526. Ms. Freed indicated that there were two closings. The first issue was the Governor's proposal to add $5 million in each year of the biennium in General Funds to the regional development authorities across the state. The current allocation was a total of $995,000 in each year and was divided between the Nevada Development Authority (NDA), the Economic Development Authority of Western Nevada (EDAWN), and the rest of the regional development authorities.

Ms. Freed explained that the Governor's proposal was to allocate $3.25 million in each year of the biennium to the NDA, $1.75 million in each year to the

EDAWN. The $995,000 currently appropriated in each year would be divided proportionally among the rural development authorities. According to testimony provided at the budget hearing, the proposed funding would be given directly to the NDA and the EDAWN without a grant application process. The rural development authorities would have to use the Commission's existing grant process. In addition, the NDA and the EDAWN would not be subject to the Commission's grant program guidelines and would not have to submit accountability measures, such as final financial reports and expenditure reports. Finally, the rural regional development authorities would continue to provide a 50 percent match for their grants, but the urban regional development authorities would not be required to do so.

Ms. Freed noted that if Decision Unit E-151 was approved, the Committee could consider requiring all regional development authorities to apply for the grant funds using the application process that the Commission had established. Additionally, the Committee might consider requiring all regional development authorities to provide reports of accountability, including annual performance reports, audits, and final financial reports as was done currently. The Committee might also wish to require quarterly performance reports from all grantees to the Commission or periodic reports to the Interim Finance Committee (IFC) since the funding represented a significant program expansion.

Ms. Freed said the Committee needed to decide whether or not to approve adding $10 million to the upcoming biennium's General Fund support of regional economic development authorities and, if so, whether the Committee wished to follow the Governor's recommendation or consider some other allocation. She noted that if the decision was made to increase funding, the Committee might wish to establish accountability mechanisms and matching requirements.

Chairman Arberry commended the Governor for increasing the funding to the NDA and the EDAWN, but he expressed concern over the lack of funding for the inner city. He said he wanted to "carve out" $1 million for the inner-city chambers, and he did not feel that the NDA and the EDAWN had reached out to those areas of the community.

Chairman Arberry stated that those inner city areas were struggling, and if they had the necessary funding, they could work to bring more economic development to the area. He added that those in the inner cities were frustrated that they paid and never received anything in return.

Mr. Marvel asked if there was a way to reallocate the money so that some of the $10 million would be given to the areas of need in the inner city.

Robert E. Shriver, Executive Director, Commission on Economic Development, responded to Mr. Marvel's question. Mr. Shriver said that there was legislation that would "incentivize" companies for locating in empowerment zones and historically underutilized business (HUB) zones in Nevada, most of which were in North Las Vegas or the west side of Las Vegas. He added that those urban poverty zones needed to be addressed, but there were systemic problems that required long-term planning, rather than "throwing money" at the problem. The NDA and other economic development groups had tried over the years to attract businesses to those areas, but the city itself had to find companies that were willing to locate in those areas. He pointed out that the state needed to do a better job of making the area acceptable for businesses to make an investment and two issues were safety and cleanliness so businesses could realize their investment and get some return on that investment.

Mr. Shriver pointed out the example of a grocery store in Las Vegas that had been incentivized to locate in the area but, due to problems, the store had closed. The company still paid $45,000 each month for rent, but there were no grocery services. He indicated that one of the reasons for the other bill, S.B. 229, was to address how to attract businesses and ensure that they stayed. He added that another way to help those areas would be to use an urban mainstream concept by using a grants program to fund groups within the area, which could include giving money to the various chambers within the cities. By using a grants program there would be accountability, but he cautioned that results could take three to four years to manifest themselves.

Mr. Shriver opined that with a grants program and the provisions in S.B. 229, the city could incentivize companies and incentivize employers of people who lived in those poverty areas, and as the results became more apparent, community pride would take over and that area could be developed to the point where safety was not an issue and the appearance of the neighborhood was not an issue. If business leaders and property owners could work with community leaders, the program had the best chance for long-term success.

Mr. Marvel asked if any of the $10 million would be going to those areas rather than to just the NDA and the EDAWN. Mr. Shriver said the mission of the NDA and the EDAWN was to help all the service zones. The NDA had tried to bring companies into those inner city areas, but due to the appearance of the neighborhood, and the lack of support, they did not want to be the first to move into the area. It was a process that had to start at the bottom with the fostering of community pride. He added that funding could be provided as well, with some of the $10 million going to the urban areas or using additional revenue received from the urban development authorities.

Mr. Marvel asked if there was legislation that specifically targeted funding for those areas. Mr. Shriver said the legislation provided tax incentives for companies to locate in those empowerment and HUB zones as well as the redevelopment areas that were identified as blighted.

Mr. Marvel asked if there was seed money included in that $10 million. Mr. Shriver pointed out that the Legislature could choose how to use the money. He opined that an action program was a better option than funding recruitment efforts because the problems were systemic and needed long-term solutions. He added that some of the rural communities needed similar assistance.

Chairman Arberry asked how much funding such an action program would require and how it could be set up. He opined that "the time [was] now" to help those areas and the chambers needed to be involved. Mr. Shriver agreed and said he had been working with Tim Rubald, the director of business development for the Commission, to develop a plan. Mr. Rubald had indicated that for $250,000 a year, two or three people could be hired to work in the community and work with the NDA and the local chamber to spur economic development. He added that it was important that the city governments be involved as well as the property owners to drive the development.

Chairman Arberry asked if that meant $250,000 out of the $5 million in the budget could be used. Mr. Shriver said that was correct. A pilot program would cost $250,000 per year and two to three people could be hired, and a report outlining the results could be made to the 2007 Legislature.

Mr. Seale said he was a supporter of economic development and was concerned that Nevada had done a poor job and had not been in a position to do a great deal in that regard relative to finances, but he thought the budget was a good start. He pointed out that $10 million was a substantial amount, and he wanted to know what Mr. Shriver envisioned the results to be in two years.

Mr. Shriver explained that all the development authorities reported to the Commission quarterly on their activities with the money granted them. He hoped that those reports could be used to develop benchmarks and to determine expectations and what markets the authorities would target. He noted that the Committee had been provided with ideas from the NDA and the EDAWN as to how funding would be used in regard to business development, revitalization of existing business, as well as attraction of new business.

Mr. Seale pointed out that the $10 million investment was not without risk, and he wanted to ensure that there would be a return on the investment. He said there should be some substantial increase in development commensurate with $10 million. There should be new businesses and more high-paying jobs and taxes generated. Accountability was very important.

Mr. Shriver remarked that the concept of accountability was not lost on the development authorities, and they knew the expectations would increase with the larger allocation of money. They were ready for the challenge and were looking forward to briefing the Legislature and the Interim Finance Committee on a regular basis. He asserted that the development authorities had wonderful ideas and plans, and wanted to integrate a way to help those less fortunate areas. Cities everywhere struggled with redevelopment issues and how to incentivize businesses to promote development. He added that S.B. 229 addressed some of those issues and was a worthy piece of legislation.

Chairman Arberry asked for specific details regarding how the $250,000 would be used. He requested that Mr. Shriver submit that information in writing. Mr. Shriver agreed to provide a written plan by Wednesday, May 11, 2005.

Ms. Giunchigliani added that regardless of how much money was appropriated, there needed to be a mechanism in place for accountability detailing where the money would be spent and how. She agreed that it was time to work on improving the urban cores, but accountability was a key component. She was concerned that in the past the development authorities had not done a good job and there had been no accountability. They had provided reports, but those reports had not shown a direct benefit, and that needed to change. She added that there could also be matching requirements for the funding.

Ms. Giunchigliani informed Mr. Shriver that there was discussion regarding the consolidation of the Commission on Tourism and the Commission on Economic Development, both funding-wise and focus-wise, because often tourism was economic development and economic development overlapped with tourism.

Ms. McClain interjected that there were areas in Las Vegas that had struggled for years, but there were other Assembly districts, such as districts 9, 10, 12, 14, and 15, that were beginning to see the blight of businesses moving out to "Gucci land" and the problems could not be ignored because they were growing. Chairman Arberry agreed and said "it [was] a cancer, and we need to find a cure."

Assemblyman Hogan noted that the Governor's proposal was somewhat inconsistent in that there was a certain amount of relaxation of application requirements and other aspects of accountability. He added that he hoped a streamlined form of reporting would continue to be required, as it was a tremendous opportunity to share experiences of what had and had not worked in other areas.

Mr. Hogan said that quarterly reports provided the opportunity to see when something was going astray so that it could be fixed. He opined that, as the budget was being increased, it was not a good time to relax accountability measures.

Ms. Giunchigliani suggested that the budget account not be closed in the current meeting since Mr. Shriver would be providing additional information. She noted that when she talked about consolidation, she did not envision changing the accounting lines in the budget, but rather merging the two commissions, and having a report generated as to how the mission of those commissions could be fused together to work more appropriately.

Ms. Giunchigliani agreed with Ms. McClain regarding other areas that were in need of economic development. She conceded that the Commission did not necessarily have control once the money was granted to local regional development authorities as they chose how to use the funding. She opined that the local regional development authorities should be working closely with the local governments.

Ms. Giunchigliani noted that the rural areas had done a better job in that regard, and seemed to be more accountable and aware of what needed to be done. She suggested that the Committee wait for Mr. Shriver to submit language regarding urban development, and work on developing language regarding accountability and performance audits. She added that the commissions should be combined and then that issue could be reexamined in the next session.

Mr. Shriver pointed out that the development authorities in the urban areas had representation from all the communities, and the NDA had members from each of the cities on the board, so there was a good relationship between the development authorities and the local governments.

Ms. Giunchigliani said there needed to be a link between the business people and the people who lived in the area as well. The people who lived there were the ones who knew what was happening and what needed to be done. She added that the local governments had money and some of that money should be used for matching state funds.

Chairman Arberry indicated that the Committee would not be closing Budget Account 101-1526 and would reconsider that budget account on May 11, 2005, after Mr. Shriver had submitted the requested information.

NEVADA FILM OFFICE (101-1527)—BUDGET PAGE ECON DEV-7

Ms. Freed indicated that there were no major closing issues and recommended that the account be closed as adjusted.

> ASSEMBLYWOMAN GIUNCHIGLIANI MOVED TO CLOSE BA 101-1527 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS.
>
> ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

BUDGET CLOSED.

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RURAL COMMUNITY DEVELOPMENT (101-1528)—BUDGET PAGE ECON DEV-12

Ms. Freed explained that there was one closing issue. The agency and the Budget Division had indicated that the anticipated funding level for the Community Development Block Grant (CDBG), provided by the U.S. Department of Housing and Urban Development (HUD), might be reduced to $3,032,605 in FY2006. The funding levels for the CDBG in FY2007 were unknown. The Executive Budget showed CDBG funding of $3,248,642 in FY2006 and $3,249,954 in FY2007. The agency had expressed the desire to reduce CDBG funding to the levels anticipated and requested more General Fund monies to make up the difference.

Ms. Freed noted that approximately 94 percent of the total grant funding shown in The Executive Budget was distributed to grantees as rural development grants, so a reduction in the grant would most likely result in a reduction of granting ability for rural development projects. Therefore, administrative costs would not have to be supplemented by the exact amount of the anticipated reduction in CDBG funding. Currently, the account split administrative costs at a ratio of 57 percent General Fund to 43 percent CDBG funds. The agency suggested changing the ratio to 59 percent General Fund and 41 percent CDBG funds.

Ms. Freed provided two options for the Committee to consider. The first option was to increase the General Fund support in the account by $8,700 in FY2006 and $10,595 in FY2007 with the stipulation that if the CDBG funds came in at a higher level than the amount anticipated by the agency, General Fund support would be reduced in the account. The second option would be to approve the amount of CDBG funding as shown in The Executive Budget with the understanding that in the event of a reduction of the block grant, services would be reduced and the Commission could approach the Interim Finance Committee (IFC) to request additional General Fund support. Ms. Freed recommended the budget be closed as recommended by the Governor with the instruction to the agency to keep LCB staff advised on the status of the block grant and to approach the IFC for a Contingency Fund request if necessary.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED TO CLOSE BA 101-1528 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS AND THE UNDERSTANDING THAT THE AGENCY COULD APPROACH THE INTERIM FINANCE COMMITTEE IF NECESSARY.

ASSEMBLYWOMAN LESLIE SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

BUDGET CLOSED.

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PROCUREMENT OUTREACH PROGRAM (101-4867)—BUDGET PAGE ECON DEV-17

Ms. Freed noted that the anticipated amount of the Department of Defense grant had caused the Budget Division to submit an amendment that proposed an increase in General Fund support. The amendment increased General Fund support by $10,734 in FY2006 and $17,452 in FY2007. Because approximately 81 percent of the account's administrative expenses were salaries and benefits, it might be difficult to reduce expenditures to compensate for the loss of the grant. Historically, when a grant had been reduced or eliminated, services had been reduced or eliminated. Ms. Freed indicated the decision for the Committee was to determine whether or not to approve the recommendation to add General Fund support to compensate for the grant loss.

> ASSEMBLYWOMAN GIUNCHIGLIANI MOVED TO CLOSE BA 101-4867 AS RECOMMENDED BY THE GOVERNOR WITHOUT ADDING ADDITIONAL GENERAL FUND SUPPORT AND WITH OTHER TECHNICAL ADJUSTMENTS.
>
> ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.
>
> MOTION CARRIED. (Mr. Perkins was not present for the vote.)
>
> BUDGET CLOSED.

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COMMISSION ON TOURISM (225-1522)—BUDGET PAGE ECON DEV-21

Mindy Braun, Education Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented the closing issues in BA 225-1522 and provided Exhibit H to the Committee. Ms. Braun noted that there were several major closing issues. The first concerned the revenue projections and reserve. Room tax receipts as revised by the Commission on Tourism were projected at $15.9 million in FY2006 and $17.1 million in FY2007, which was an increase of 19.3 percent in FY2006 over FY2004; for FY2007 an additional 8 percent increase was projected over FY2006.

Ms. Braun indicated that the Fiscal Analysis Division had also provided updated projections for room tax receipts. Those projections were $16.3 million for FY2006 and $17.3 million for FY2007. She noted that those projections had been provided to the Committee.

Ms. Braun said that using the revised room projections provided by the Commission and considering the amendment submitted by the Governor's Office, as well as staff-recommended technical adjustments for the account, the agency's reserve was estimated at $3.7 million in FY2006 and $4.2 million in FY2007. According to the agency, one month's expenses for the Commission were approximately $1.4 million. She noted that, historically, additional revenues had been utilized for one-time projects in State Parks and the Department of Cultural Affairs. For example, the Joint Subcommittee on Public Safety, Natural Resources, and Transportation was considering the need for an additional $200,000 in each year of the biennium for the Division of Wildlife.

Mr. Stevens suggested that the Committee make a decision on the first closing issue before proceeding. The first issue was the revenue projection and the differences between the agency's and the Fiscal Analysis Division's estimates.

He noted that the Fiscal Analysis Division's estimate was approximately $400,000 higher in FY2006 and $130,000 higher in FY2007. He opined that either revenue estimate would suffice, but there would be a reserve of $4.2 million at the end of FY2007, assuming that the Commission's projections were used. If the Commission was allowed a reserve of $1.4 million, there would be $2.8 million over the biennium that could be used for some other purpose either within the Commission on Tourism or in another budget. He suggested that the Committee decide which projection to use and then a decision could be made regarding the reserve and the additional funds.

ASSEMBLYWOMAN MCCLAIN MOVED TO ACCEPT THE COMMISSION'S PROJECTIONS AND THE SMALLER ENDING RESERVE WITH EXCESS FUNDS ALLOCATED LATER.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Ms. Braun indicated that the next issue concerned Decision Unit E-175 for advertising and promoting. The Governor recommended $3.9 million in FY2006 and $4.4 million in FY2007 to expand and further develop program areas that, according to the agency, generated the best return on investment. At the request of the Committee at a previous budget hearing, the agency prioritized the components of E-175 as follows:

- Priority 1 activities are extremely valuable and should be fully funded if at all possible.
- Priority 2 activities are also extremely valuable but could be scaled back if absolutely necessary and still be effective.
- Priority 3 activities are also valuable activities with good returns on investment but could be eliminated if absolutely necessary.

Ms. Braun noted that based on the agency's prioritization information that had been provided to the Committee outlining the savings if particular decision units were approved by the Committee, there were several components to Decision Unit E-175, and Ms. Braun suggested that the Committee consider each component separately.

Ms. Braun said that the first issue concerned the expansion of television advertisements. The Governor recommended funding of $1.1 million in each year of the biennium for the expansion of advertisements. If approved, the additional funding would provide a total of $2 million in each year of the biennium for television advertisements. She asked if the Committee wished to approve funding for the expansion of television advertisements and collateral. She provided the following options:

- The Committee could approve the funding for the expansion of television advertisements and increased collateral as recommended by the Governor.
- The agency had indicated the program was a Priority 2 program and had noted that a 20 percent reduction could be made and the program would still be effective. That would provide a reduction of $220,000 for

television advertisements and $30,000 for collateral in each fiscal year, for a total savings of $250,000 in each year of the biennium.

- The Committee could maintain the current number of television advertisements of 4,787 by approving a 10 percent inflationary increase to the current amount of $900,000 spent on the advertisements. If approved by the Committee, staff would recommend that no additional funds be approved for collateral printing, as the agency had requested increases for printing elsewhere in E-175. The total savings would be approximately $1,010,000 in FY2006 and $911,000 in FY2007.

In response to Chairman Arberry's request for clarification of prioritization, Ms. Braun explained that the agency had indicated that the expansion of television advertisements was a priority 2 program.

Bruce Bommarito, Executive Director, Nevada Commission on Tourism, offered further explanation of prioritization. Mr. Bommarito explained that priority 2, in regard to the television advertisement program, meant that funding it fully would provide a tremendous return on investment. Reducing the funding by 20 percent would reduce that return on investment, but some return would still be generated. He claimed that it was an effective program and every dollar that was not spent on the program cost the state approximately $400 in return on investment.

ASSEMBLYWOMAN GIUNCHIGLIANI MOVED TO ACCEPT THE THIRD OPTION, WHICH WOULD MAINTAIN THE CURRENT LEVEL OF TELEVISION ADVERTISEMENT.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

MOTION CARRIED WITH MR. HETTRICK, MRS. GANSERT, MR. MARVEL AND MS. WEBER VOTING NO. (Mr. Perkins was not present for the vote.)

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Ms. Braun indicated that the next component of E-175 concerned seasonal commercials. The Governor recommended $380,000 in FY2006 for two new seasonal commercials and $190,000 in FY2007 for one new seasonal commercial. Ms. Braun asked if the Committee wished to approve funding for seasonal commercials.

ASSEMBLYWOMAN MCCLAIN MOVED TO ACCEPT THE GOVERNOR'S RECOMMENDATION.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Ms. Braun explained that the Governor recommended $100,000 in FY2006 and $150,000 in FY2007 to purchase six advertisements in two tourism trade magazines in each year of the biennium. She indicated that the justification for the 50 percent increase in FY2007 was not clear; the agency had indicated that it was simply to expand the scope of the agency's advertising efforts in China. Ms. Braun asked whether or not the Committee wished to approve funding of

$100,000 in each year of the biennium and, if so, whether or not the Committee wanted to approve the 50 percent increase that was recommended in the second year of the biennium.

Ms. McClain commented that it might be "worth a shot" to approve the funding and see what developed with tourism and the China market.

ASSEMBLYWOMAN MCCLAIN MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION WITH THE INCREASE AND TO REQUIRE THAT THE COMMISSION REPORT TO THE INTERIM FINANCE COMMITTEE.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

Assemblywoman Weber asked if the Commission was spending a comparable amount of money on any other countries.

Mr. Bommarito said that Nevada had foreign offices in other countries, but was not focusing on those other countries because Nevada was the only entity in the United States that was licensed to advertise in China. He opined that it was important that Nevada exploit that opportunity before competitors entered the market.

Ms. Giunchigliani remarked that the Asian market was large and the tourists would visit Nevada regardless of its advertising efforts.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Chairman Arberry indicated that the rest of the items in the Commission on Tourism budget would be held for consideration at a later date and the Committee would consider bills.

Assembly Bill 114 (1st Reprint): **Revises provisions governing manufactured homes, mobile homes and Real Estate Education, Research and Recovery Fund. (BDR 43-1162)**

ASSEMBLYWOMAN LESLIE MOVED DO PASS AS AMENDED A.B. 114.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Assembly Bill 249 (1st Reprint): **Makes various changes relating to vehicles. (BDR 43-136)**

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that A.B. 249 related to "yo-yo" car sales and compliance enforcement. Mr. Stevens said that the agency wanted five positions, three in southern Nevada and two in northern Nevada, and those would be funded through a Highway Fund appropriation. He noted that there had been discussion about decreasing the number of positions to three, with two in southern Nevada and one in northern Nevada, allowing the agency to evaluate the workload and then approach the Interim Finance Committee if needed.

Chairman Arberry asked how much the appropriation for three positions would be. Mr. Stevens advised that, if the Committee chose to fund only three positions, the bill should be amended to include a Highway Fund appropriation of $234,644 in the first year and $198,530 in the second year of the biennium.

ASSEMBLYMAN MARVEL MOVED TO AMEND AND DO PASS A.B. 249.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Assembly Bill 493 (1st Reprint): Requires Department of Human Resources to apply for Medicaid waiver pursuant to Health Insurance Flexibility and Accountability demonstration initiative. (BDR 38-736)

Steve Abba, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, addressed the Committee. Mr. Abba explained that A.B. 493, the HIFA (Health Insurance Flexibility and Accountability) waiver legislation, mirrored the HIFA Medical Account budget, which was included in The Executive Budget.

Mr. Abba said that the legislation was designed to use state General Fund appropriations and proceeds from the indigent supplement account combined with federal Title XIX and XXI funds to expand health care to pregnant women from 133 percent to 185 percent of poverty, to establish a program of health insurance, and to provide a premium subsidy of up to $100 for employees who were employed by small business employers. Small business employers were defined as businesses with 2 to 50 employees, and the employer had to participate in the program. It also included coverage for a catastrophic event, typically a very expensive medical event. That program was currently administered by the National Association of Counties (NACO) using funding from indigent accident monies and indigent supplement monies. Under the HIFA waiver, federal Title XIX and Title XXI monies could be accessed to cover medical bills up to $200,000. It was anticipated that there could be as many as 45 cases per year, and the expenditures on that program would be capped at $9 million. The pregnant women coverage would cover strictly pregnancy-related costs and it was estimated to cover approximately 2,000 women per year.

ASSEMBLYWOMAN LESLIE MOVED DO PASS AS AMENDED A.B. 493.

ASSEMBLYWOMAN SMITH SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Assembly Bill 525: Makes appropriation for innovative educational programs. (BDR S-1352)

Mr. Stevens noted that A.B. 525 contained an appropriation of $25 million to the Department of Education for innovative educational programs. The intent of the bill was to utilize funds recommended by the Governor in the amount of $50 million per year to be placed in a fund for education activities during the upcoming biennium.

Ms. Giunchigliani remarked that there had been discussion regarding the creation of an innovative account rather than a trust fund because it would be expended and was ongoing. There had been $100 million proposed in The Executive Budget over the biennium and it was proposed to use $25 million of that $100 million for innovative programs, such as career technology programs, discipline programs, arts programs, and so forth. She opined that the money should be allocated to the Distributive School Account (DSA) and specified for an innovative account, and then the restriction that the money be reverted if not expended should be removed. It would be a grant process and the full amount would most likely not be expended in the first year. She said it should be called an account for innovative programs, and be housed outside the DSA, but allocated through the DSA to that account.

ASSEMBLYMAN MARVEL MOVED TO AMEND AND DO PASS A.B. 525.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

Mrs. Gansert requested clarification of the amendment and asked if the money would be disbursed through the Department of Education. Mr. Stevens said the amounts would be distributed based on a grant process rather than the per-pupil process. Chairman Arberry called for the vote.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Assembly Bill 530 (2nd Reprint): Makes various changes regarding ethics in government. (BDR 23-325)

Mr. Stevens explained that A.B. 530 would require that persons who were elected or appointed to an office would be required to attend an ethics class within six months of election or appointment. The fiscal note from the Ethics Commission was $10,900 in the first year and $4,975 in the second year of the biennium. He noted that if the Committee was interested in processing the bill, it would have to be amended to include those appropriation amounts.

Chairman Arberry indicated the Committee would not vote on the measure at the current time.

Senate Bill 90 (1st Reprint): Makes supplemental appropriation to Department of Human Resources for unanticipated operating expenses for Fiscal Year 2004-2005 at emergency hospital annex at Desert Regional Center and for unanticipated shortfall in revenue for Fiscal Year 2004-2005 for rural clinics. (BDR S-1191)

Mr. Stevens noted that S.B. 90 was a supplemental appropriation that was included in The Executive Budget.

ASSEMBLYWOMAN LESLIE MOVED DO PASS AS AMENDED S.B. 90.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Chairman Arberry adjourned the meeting at 11:23 a.m.

RESPECTFULLY SUBMITTED:

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Susan Cherpeski
Committee Attaché

APPROVED BY:

____
Assemblyman Morse Arberry Jr., Chairman

DATE:____________________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: May 9, 2005 **Time of Meeting: 8:30 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Meeting Agenda
AB 36	B	Charles Duarte/DHCFP	Fiscal Note (3 pages)
AB 464	C	Sam McMullen/Altria	News Release (3 pages)
AB 464	D	Sam McMullen/Altria	News articles (6 pages)
AB 464	E	Vicki Oldenburg/ Attorney General's Office	Fiscal Note (1 page)
AB 464	F	Dino DiCianno/Dept. of Taxation	Fiscal Note (1 page)
AB 77	G	Kenneth Kruger/ All American Driving School	Requested Amendment (1 page)
	H	Mindy Braun/LCB Fiscal	Tourism Budget Account Information (8 pages)