

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session
February 8, 2005**

The Senate Committee on Finance was called to order by Chair William J Raggio at 8:00 a.m. on Tuesday, February 8, 2005, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

STAFF MEMBERS PRESENT:

Mindy Braun, Education Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Russell J. Guindon, Deputy Fiscal Analyst
Michael Archer, Committee Secretary

OTHERS PRESENT:

Dean Heller, Secretary of State, Office of the Secretary of State
Renee Parker, Chief Deputy Secretary of State, Office of the Secretary of State
John P. Comeaux, Director, Department of Administration
Robert R. Loux, Executive Director, Agency for Nuclear Projects, Office of the Governor
Giles E. Vanderhoof, Major General, The Adjutant General of Nevada, Nevada National Guard, Office of the Military
Miles Celio, Administrative Services Officer, Nevada National Guard, Office of the Military
Richard Burdette, Director, Nevada State Office of Energy, Office of the Governor
David McNeil, State Energy Program Manager, Nevada State Office of Energy, Office of the Governor

CHAIR RAGGIO:

Please look at the Senate Committee on Finance Committee Standing Rules 2005 Session, ([Exhibit C](#)). Rule number 3 is the only change from the previous Committee rules. The change regards actions taken in a subcommittee when closing budget accounts. Such action will always be in the form of "motions to recommend to the full committee," and a majority of assigned subcommittee members from each house is required for such actions.

SENATOR MATHEWS MOVED TO ADOPT THE SENATE COMMITTEE ON FINANCE STANDING RULES 2005 SESSION.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

CHAIR RAGGIO:

Let me remind everyone that rule 14 in [Exhibit C](#) states that unless a Committee member advises the Chair before a vote is taken on an amendment or bill on the floor of the Senate, it will be presumed that he or she will vote on the amendment or bill on the floor of the Senate consistent with his or her vote in the Committee

DEAN HELLER (Secretary of State, Office of the Secretary of State):

Please refer to the *Secretary of State Biennial Budget Request FY2006-2007* ([Exhibit D](#), original is on file at the Research Library). Our revenues are up 25 percent from fiscal year (FY) 2003 in growth of new filings, and we did see some growth as a result of fee increases enacted in the 2003 Legislative Session.

CHAIR RAGGIO:

Did all of the fee revenues come in as projected?

RENEE PARKER (Chief Deputy Secretary of State, Office of the Secretary of State):
The fees came in nearly on target.

MR. HELLER:

Please see the chart on page 4 of [Exhibit D](#) showing dollars generated per employee. This reflects the importance of technology in our office. Over the last 15 to 20 years, the dollars generated per employee have continued to increase. This has been enhanced by the previously mentioned fee increases. The Commercial Recordings chart on page 7 of [Exhibit D](#) shows substantial growth and we anticipate continued growth during the next biennium.

SENATOR BEERS:

Has there been growth in the number of entities?

MR. HELLER:

As the Commercial Recordings chart on page 7 of [Exhibit D](#) indicates, there has been an increase in the number of all entity types. The chart on page 8 of [Exhibit D](#) shows our progress in establishing the electronic Secretary of State (e-SoS) filing system. The e-SoS system has been delayed by problems in keeping vendors. The current vendor, Northrop Grumman Corporation, put its best employees on the project and completed it. We now have a paperless system in the Office of the Secretary of State. All the documents that come to our office are scanned into the system, go into a queue and are electronically delivered to the appropriate employee. This is a much more effective and efficient use of our time. Our Web site now gets 60 million inquiries each year. This is where people go first to do business in the State of Nevada. Within the next six months we will have the ability to link the Department of Taxation, the

Department of Motor Vehicles and the Department of Employment Security with e-SoS in order to produce a single place where businesses can obtain information.

I will now review the Elections Division on page 10 of [Exhibit D](#). Nevada did a good job in the last election cycle. We have an election system that is accountable, auditable and produces valid elections. Nevada is scheduled to receive about \$21 million in Help America Vote Act (HAVA) funding. The state has already spent \$9.4 million on the purchase of new touch screen Direct Recording Electronic voting machines, and V-PAT printers which produce a paper audit trail. We also purchased additional printers for existing touch screen voting machines in Clark County as well as 37 optical scanning machines for counting absentee ballots. Additionally, we spent \$5.5 million on the Statewide Voter Registration System (SVRS).

CHAIR RAGGIO:

Do you anticipate that the SVRS will be completed by January 2006? What does the system accomplish? Does it help prevent fraud?

MR. HELLER:

We are now meeting with clerks and registrars so that we will all be able to learn this system together. The SVRS has numerous aspects, but its main goal is to have a single statewide database of registered voters. In this way, we hope to avoid duplication on our voting lists. The system will allow all counties to communicate about their voter lists.

CHAIR RAGGIO:

We are anticipating some deep cuts in the federal budget. Have HAVA funds to Nevada been cut?

MS. PARKER:

There is no HAVA funding in the President's FY 2006 budget proposal, except that which is received from the U.S. Election Assistance Commission. There may be some additional funding for grants under HAVA, but none for Title II payments to the states which is where most of this money is derived.

CHAIR RAGGIO:

You are going to ask for \$15 million to convert older voting machines in Clark County. Is this because there will be no federal funding for that purpose?

MS. PARKER:

If the President were to fully fund the rest of the FY 2005 HAVA appropriation, Nevada's portion would have only been about \$3 million.

MR. HELLER:

We did have funds set aside to retrofit all the older full screen voting machines in Clark County. Now we are being told by our vendor that it would not be cost-effective to retrofit them. Instead, the vendor recommends we purchase new touch screen models. I recently told our congressional delegation about these problems.

CHAIR RAGGIO:

Does the vendor have a contractual obligation to retrofit the older machines?

MS. PARKER:

The vendor's contract only called for completion of a study by December 2004 concerning their ability to retrofit those machines. The Secretary of State granted the vendor an extension until January 2005 to complete the study. We still do not have the formal report, but the study concludes that a computer chip inside the current machines will require modification or the accuracy of the machines will be in question.

CHAIR RAGGIO:

Is \$15 million an accurate estimate of how much it will cost to purchase all the new voting machines?

MR. HELLER:

Yes. We will need 2,000 machines in Clark County, and additional machines in Washoe and Douglas Counties.

CHAIR RAGGIO:

Will this request be for all General Fund money, or will there be any federal dollars involved?

MR. HELLER:

We intend to include the \$4 million we had earmarked for retrofitting the old machines.

CHAIR RAGGIO:

Is that \$4 million part of the \$15 million we are talking about?

MS. PARKER:

The \$15 million is an accurate figure for purchasing the machines. Our contract with the vendor provides that either the state or counties can purchase additional machines through the year 2006 for the costs in that contract. It will require two touch screen voting machines to replace each existing machine in Clark County. Our contract price is \$2,137 per machine, plus \$500 per V-PAT paper trail printer. We could use the \$4 million for Clark County, but then we would have no money to purchase the machines required in Washoe and Douglas Counties, or in other counties that may have had problems with its current voting machines.

CHAIR RAGGIO:

Where is this appropriation request located in the Governor's *Executive Budget*?

MS. PARKER:

It is not in the *Executive Budget*; it is an additional request that came as a result of the vendor's recent report that they cannot comply with our original request to retrofit the voting machines in Clark County.

CHAIR RAGGIO:

Mr. Comeaux, will there be an amendment added to the *Executive Budget* on this issue?

JOHN P. COMEAUX (Director, Department of Administration):

This just came to our attention last Friday; I have not had an opportunity to discuss it with the Governor.

SENATOR BEERS:

How much do the new touch screen voting machines cost?

MS. PARKER:

Each touch screen machine costs \$2,637; this is much less than the earlier voting machines which cost \$3,700 each. We negotiated the paper trail printer price when it was still in the development stage. We got a much better price than counties in California that purchased them later.

SENATOR BEERS:

If California counties are buying their own voting machines, can Nevada counties buy their own too? Is it common for other states to dip into General Funds to buy voting machines?

MR. HELLER:

Those California counties are using HAVA funds. Some states have already purchased electronic voting machines; therefore, the HAVA funds were reimbursed. Nevada is the only state that will have a paper audit trail by using statewide electronic voting machines.

SENATOR COFFIN:

What was the reason that Clark County did not use more V-PAT printers during the last election?

MR. HELLER:

Clark County used the touch screen voting machines with V-PAT paper trail printers during early voting in the last election. On Election Day they made sure at least one machine with V-PAT capability was at every polling place. Most voters wanted to use the machines with the V-PAT paper trail.

SENATOR COFFIN:

Are the printers inked, or do they use heat-sensitive paper? If it is thermal paper, which does not last a long time, what is done to preserve it?

MR. HELLER:

The counties have built special vaults in which to store these documents.

SENATOR COFFIN:

Are the machines locked inside the vault with the paper record still attached and subject to inspection? How long will these records be kept?

MR. HELLER:

Yes, the machines are locked in the vault with the paper record still attached and they are subject to inspection. We do not yet have a policy on how long to keep the paper voting records. We anticipate it will be about 20 to 25 years.

SENATOR COFFIN:

I suggest that the next generation of voting machines have the capacity to print two tapes: one for the voter, and one kept by the county.

MR. HELLER:

That was discussed and the reason it was not adopted was because of possible electioneering abuses. As an example, an employer or organization may demand that a person prove how they voted. This type of intimidation has happened in

the past; therefore, we decided not to produce a separate voting record for the individual voter.

SENATOR CEGAVSKE:

The \$2,637 cost of each voting machine, and \$500 for each paper trail printer, seems high to me.

MR. HELLER:

Due to early negotiations, we are getting each voting machine for about \$1,000 less than the vendor's other customers.

I will now discuss the Securities Division on page 14 of [Exhibit D](#). The number of audits each year is increasing due to the growth of business in Nevada. Because we can no longer keep up with our workload, we are asking for an additional auditor position for our Reno office. Page 17 of [Exhibit D](#) shows total revenues collected by the Securities Division. Page 18 of [Exhibit D](#) features our Technology Division. We receive about 60 million Web site inquiries each year, and from 800 to 900 telephone calls each day. Because so many people want to do business in Nevada, we are still experiencing an increase in telephone calls. The new technical positions we need are described on page 20 of [Exhibit D](#).

MS. PARKER:

Page 21 [Exhibit D](#) shows our budget enhancements and amendments. Of particular interest is the e-SoS maintenance item. Because of problems with past vendors, which Mr. Heller already described, we did not know when e-SoS would be operational. Since it went online on January 31, 2005, e-SoS has been such an enormous success that we now realize the need for a maintenance contract. Because we did not begin negotiating this maintenance contract until early 2005, it has created a large enhancement to our budget that was not included in the *Executive Budget*. The cost of the maintenance contract changes our budget by \$826,000 in FY 2006 and \$600,000 in FY 2007. The contract is all-inclusive and will modify the system to accommodate any legislative changes made during this session. It will require us to dedicate a staff of five employees for the first few months and then drop that number to three employees. By dedicating these resources now, we hope to avoid problems in the future when our customers start doing their filings online.

CHAIR RAGGIO:

Mr. Comeaux, will the budget office look at this to determine if there will be an additional request in the *Executive Budget*?

MR. COMEAUX:

Yes. We will do that.

MS. PARKER:

We have made cuts in other budget categories in order to neutralize the financial impact of this request for e-SoS maintenance funds.

MR. HELLER:

Of the five new positions requested for my office, three of them will be in the Technical Division. Additionally, the Deputy of Operations and Election position was not funded in the last session. Because we spend a great deal of time in court during election time, and it is also the time of year we must prepare our

legislation and budget requests, our staff is overwhelmed with responsibilities. Consequently, it is imperative we get the Deputy of Operations and Election position funded. I am also seeking salary increases for my deputies. Our office now has more employees with law or accounting degrees than in the past. Future challenges require greater expertise, and in order to maintain that level of professionalism in our office, we need to increase salaries.

CHAIR RAGGIO:

Are these suggested salary increases in addition to the 2-percent cost-of-living (COLA) increase?

MS. PARKER:

Yes, it is in addition to the COLA. The proposed increases raise the salary of the Chief Deputy Secretary of State from \$87,000 to \$99,000 each year which is equivalent to the salary of the Chief Deputy Attorney General. These amounts do not include the 2-percent COLA proposed in the *Executive Budget*.

CHAIR RAGGIO:

That would amount to an increase of approximately 15 percent. The salary increase you propose for your other deputies would go from \$79,800 to \$90,800. Are these based on employer-employee paid salaries?

MS. PARKER:

Yes, they are all unclassified positions and do not get overtime.

SENATOR BEERS:

Mr. Heller, did you make this request?

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

This is sometimes a cause of confusion when reading the *Executive Budget*, please allow me to clarify this point. When the Department of Administration's Budget Division, constructs the budget, they ask for requests from each agency. The first request received by an agency is referred to as A01 and is always a figure within the Governor's fiscal cap. The second request received by an agency is referred to as A02 and reflects requests for special consideration of amounts exceeding the cap. However, A02 items do not appear in the *Executive Budget* as items requested by the agency.

MR. HELLER:

We are currently contracted with the Department of Information Technology for our server hosting fees because the office we had in the Capitol building was unable to accommodate those servers. We are also asking for \$61,040 to update the pamphlet *Political History of Nevada* which has not been revised since 1996.

I would like to return the discussion to voting machines. We have decertified all the existing full-face voting machines in Clark County because they are unable to provide a paper audit trail. The vendor cannot convert them; therefore, the only option, other than to purchase the new touch screen machines for Clark County, is to use optical scanners. In 2002, a poll was conducted by the University of Georgia regarding use of electronic voting machines without paper trails. Of the white voters, 57 percent thought the machines accurately recorded their vote while only 33 percent of the African Americans agreed.

There were 3 percent of whites and 11 percent of African Americans who responded that they were “not at all” confident in the voting machines. In light of this information, we urge this Committee to approve the \$15 million we are requesting to update these machines. I will not support a voting machine in 2006 that does not have paper audit trail capability.

SENATOR RHOADS:

How successful have the rural counties been in the installation of electronic voting machines?

MR. HELLER:

Sixteen of the seventeen counties in the state received the new touch screen voting machines with paper trail capability. Clark County was the exception.

SENATOR MATHEWS:

How many voters in Washoe County are allocated for each voting machine?

MS. PARKER:

We decided on 150 voters per machine.

SENATOR MATHEWS:

You did not seem to have enough machines, particularly in areas serving lower socioeconomic groups, such as Parklane Mall, in Reno, where the lines to vote were very long.

MR. HELLER:

Washoe County had a large influx in early voters during this last election. In Parklane Mall the wait was often more than one hour. Although they had six or seven machines available, they only used from one to three at any given time. I had conversations with the Washoe County Registrar of Voters and we agreed that the problem appeared to lie in the amount of training the poll workers received.

SENATOR BEERS:

Decision unit E-216 describes a \$5,000 in-state travel request to host the International Association of Corporate Administrators (IACA). Could this money come from HAVA instead of the General Fund?

ELECTED OFFICIALS

Secretary of State – Budget page ELECTED-105 (Volume I)
Budget Account 101-1050

E-216 New Programs – Page ELECTED-109

MS. PARKER:

We use HAVA funds when we travel to implement the SVRS. However, if we host a conference like the IACA in Las Vegas, we cannot use federal funds. By comparison, if we use federal funds for the three new SVRS positions, the funds cannot be used in any other way. We have decided from six to three SVRS employees will be sufficient, using General Funds rather than HAVA funds; they can also be used to support e-SoS and our network.

SENATOR TITUS:

The Secretary of State and I served on a committee that promoted efforts to get high school students involved in politics. The program was in conjunction with the World Wrestling Federation and was called "Slap Down the Vote."

MR. HELLER:

The "Slap Down the Vote" program was presented to Hug High School in Washoe County and it was a great success. However, the superintendent of schools did not want it on campuses in Clark County.

SENATOR MATHEWS:

In decision unit E-215, you have not requested a host account before, why do you need it now?

E-215 New Programs – Page ELECTED-109

MS. PARKER:

We have meetings with our clerks several times a year to discuss the implementation of changes. Many are from the rural counties. In the past we have been paying for it out of our own pockets.

CHAIR RAGGIO:

Please let our staff know as soon as you get these revisions finalized with the Budget Division.

We will now hear the Nevada Agency for Nuclear Projects. The committee has already received a report and the recommendations of the Nevada Commission on Nuclear Projects which was presented to the Legislature on February 1, 2005.

ELECTED

High Level Nuclear Waste – Budget page ELECTED-10 (Volume I)
Budget Account 101-1005

ROBERT LOUX (Executive Director of the Agency for Nuclear Projects, Office of the Governor):

The agency is tasked with the oversight and evaluation of the Yucca Mountain Project in southern Nevada, a repository for nuclear waste being proposed by the U.S. Department of Energy (DOE). We have halted the momentum of the project through the lawsuit we won last summer when the court threw out the federal U.S. Environmental Protection Agency (USEPA) standards for Yucca Mountain, as well as the licensing regulations by the federal Nuclear Regulatory Commission (NRC). This delay has allowed time for many in the nuclear industry and scientific community to more closely scrutinize the data, and led many of us to believe the project will not be restarted.

There are three major obstacles for the DOE in having the NRC approve a license to construct the Yucca Mountain facility. The first one has to do with an electronic data filing system. The NRC has charged the DOE and all other parties, including the State of Nevada, with filing and certifying all the documents it has in its possession, including e-mails, in an electronic filing system managed by the NRC. This must be done within four years. Last June,

the DOE made an initial attempt at certifying its record and the NRC did not accept it. The DOE has accumulated 3 to 4 million documents and over 8 million e-mails. This is a huge, perhaps impossible, task.

The other two obstacles faced by the DOE is that the USEPA, as a result of another court decision, is currently reevaluating its radiation standard for Yucca Mountain. Normally, the USEPA takes from eight to ten years to write new regulations. Additionally, the NRC licensing rule, thrown out by the court, is dependant upon the USEPA standard. Consequently, the NRC cannot promulgate new licensing regulations until the USEPA has completed its standard-setting process. The NRC maintains it will have new licensing regulations within two years from the time the USEPA standards are finalized.

The Yucca Mountain project is facing a great deal of scientific uncertainty. There is also fiscal uncertainty because the President, in his proposed budget for FY 2006, cut the funding for this project by one-half. It is for these reasons that many in the nuclear energy industry feel the Yucca Mountain project is dead. Despite that, our agency must be in position to participate in a licensing process, if one occurs, and that is reflected in our budget enhancements. We have a small staff of only seven professionals and rely largely on contractors with unique expertise.

Nevada Protection Account – Budget page ELECTED-15 (Volume I)
Budget Account 101-1004

Budget account 101-1004 is virtually identical to our previous budgets. However, decision unit E-350 is a request needed to replenish the Nevada Protection Fund with an additional \$2 million. The agency still has not received its FY 2005 federal money, even though that money was approved by the U.S. Congress. The President and the DOE have the money, but are putting administrative obstacles in our way to make it difficult for us to get it. Therefore, we are grateful for the allocation from the Contingency Fund which the Interim Finance Committee approved last fall, otherwise our agency would not be able to carry on any of its activities. The President's budget for FY 2006 has proposed \$3.5 million for our agency to continue its projects. We do not know how much we will actually receive, but are encouraged because two years ago the President proposed no funding for us. This shortfall caused us to postpone a number of very important projects. The State requires a minimum of \$5 million for preparation for licensing.

Please see the handout titled Major Issues of Contention Summary List ([Exhibit E](#)). These are issues which are still relative to the suitability of the Yucca Mountain site. Regarding the third bulleted item on page 1 of [Exhibit E](#), the degradation of engineered barriers, we are doing considerable work on the issues of corrosion with regard to the containers that the DOE wants to employ at the Yucca Mountain facility, and the so-called "drip shields," or "drip tents," which they plan to put over the containers to keep moisture away. We are concerned that the 100% humidity and high temperature environment in these tunnels will cause a great deal of corrosion. We are doing independent research in that area.

Another issue we are concerned about is the DOE's climate model. They are assuming our climate will not change appreciably over the next hundreds of thousands of years. We do not believe this is true and want to look at

independently-created climate models. The DOE will attempt to use what is called a Total System Performance Assessment to prove the suitability of the site. This is from a very large computer model that incorporates many characteristics. However, there are uncertainties in that model ranging anywhere from four to six orders of magnitude. In other words, if the DOE says we can meet a 15 millirem health standard to the public using this model, it really could be as high as 15 thousand millirems, or as low as zero.

On page 2 of [Exhibit E](#), you will find an item titled Aircraft Crash Hazard. We are looking at aircraft hazards associated with the flight paths over the Nellis Air Force range and the potential for ordinance being dropped, or planes crashing at the site and the likely impact on surface facilities handling nuclear material. The DOE maintains that this is not an issue, except for incidental minor events. This issue has merit, and already nearly stopped construction of the Goshute Surface Storage Facility in Utah because of possible inadvertent ordinance drops by airplanes taking off from nearby Hill Air Force Base. The amount of ordinance being flown out of the Nellis base is exponentially larger than any other air base in the country.

Lastly, on page 3 of [Exhibit E](#), the item labeled Environmental Impact Statement, includes associated traditional issues of cumulative impacts, socioeconomic impact, groundwater impacts, Federal Land and Policy Management Act (FLPMA) compliance issues, Resource Conservation and Recovery Act (RCRA) compliance, and national and local transportation impacts. We will begin addressing those areas with the money we get from the state and any federal money we receive. The funding we are requesting under E-350 will be used for our legal team in Washington. They will represent us for licensing and include a group of contractors who are now categorizing and converting our documents to electronic files, including e-mails. These funds will also help pay for scientific experts throughout the country, and in Britain and Australia, to study the issues I just described.

E-350 Environmental Policies and Programs – Page ELECTED-15

CHAIR RAGGIO:

Will the \$2.9 million, shown in your budget for the interagency transfers in each year of the biennium, be likely to occur?

MR. LOUX:

Yes, and it may be inadequate if, in FY 2007, the federal government proposes another \$3.5 million for the state which will bring the total to \$7 million for FY 2006 and FY 2007. As I mentioned previously, the agency has yet to receive its \$2 million from the federal government for FY 2005.

SENATOR RAGGIO:

How are you using the \$150,000 private grant each year from the Western Governors' Association?

MR. LOUX:

It is passed through to other agencies like the Department of Public Safety, Division of Emergency Management; Department of Human Resources, Health Division; and others, to monitor and be prepared for shipments of transuranic waste leaving the Nevada Test Site for permanent disposal in Carlsbad, New Mexico.

CHAIR RAGGIO:

What is the status for the DOE proposal for aboveground storage at the Yucca Mountain site?

MR. LOUX:

A concrete surface storage pad has always been a part of the DOE plan for Yucca Mountain. The DOE recently announced they are reducing the size of the pad from one that would hold 40,000 metric tons of nuclear waste for storage at the site, to one that would hold 20,000 tons of waste. Instead, they want to include a larger storage facility, what they call an Aging Facility. This is an integral part of their proposal, and is part of the DOE strategy to put the hottest waste, which is from nuclear power plants, in certain tunnels within the repository to drive away moisture. However, under their contract with the nuclear utilities, they are obligated to take the oldest fuel first which translates into the coolest fuel. Because of this, the DOE needs a large facility to store this material until they can get to the hotter fuel.

SENATOR TITUS:

Is there any danger that this will become a temporary storage facility?

MR. LOUX:

There is a potential for that. We would argue that this is not an integral facility, and constitutes an interim storage area which would require a separate license from the NRC. Also, the law prohibits the use of such facilities in a state where a repository is located. The DOE will argue that it is not a separate facility, but an integral part of the overall site.

CHAIR RAGGIO:

We will now close discussion on the Nevada Agency for Nuclear Projects budget and hear from the Office of Military.

GILES E. VANDERHOOF (Major General, The Adjutant General of Nevada, Nevada National Guard, Office of the Military):

I will read from my prepared statement ([Exhibit F](#)).

MILES L. CELIO (Administrative Services Officer, Nevada National Guard, Office of the Military):

Our Base Budget is a reflection of our expenditures in past years, but we have added certain enhancements, including decision unit M-425, for deferred maintenance. Like a number of agencies, we have had to postpone maintenance on many of our facilities over the years in order to move money to other priorities. We are asking for \$841,200 in FY 2005-2006, and \$801,200 for FY 2006- 2007 for such things as Americans With Disabilities Act (ADA) projects.

MILITARY

Military – Budget page MILITARY-1 (Volume III)
Budget Account 101-3650

M-425 Deferred Facilities Maintenance – Page MILITARY-4

SENATOR BEERS:
Does Nevada have any disabled soldiers?

GENERAL VANDERHOOF:
No, but we do have disabled family members who come out to our armories frequently for briefings and assistance.

SENATOR BEERS:
Could we get a list of the projects included in decision unit E-730 and the proportion of federal and state funding?

E-730 Maintenance of Buildings and Grounds – Page MILITARY-7

GENERAL VANDERHOOF:
We provided that to your staff this morning.

MR. CELIO:
The E-730 projects are those that we would rather not defer. They are related to issues of security, safety and quality of life.

CHAIR RAGGIO:
Will all the maintenance projects in M-425 and E-730 be completed during the biennium?

MR. CELIO:
Our intent is to have them completed by the end of the biennium. Another enhancement we are requesting is described in E-325. This request is to add 57 new state employee security guards to our organization. These personnel will take over security missions which the military has been ordered to perform since the tragedy of September 11, 2001 (9/11). The federal government maintains that replacing federal military guards with private sector employees will be less costly. The entire cost of this enhancement unit will be absorbed by the federal government.

E-325 Services at Level Closest to People – Page MILITARY-5

CHAIR RAGGIO:
What is the reason for this? Does federal law require 24-hour security at these facilities?

GENERAL VANDERHOOF:
Prior to 9/11, we only had this type of security at aviation facilities. Since 9/11, our protection requirements have increased tremendously.

CHAIR RAGGIO:
Will these new security personnel be state or federal employees?

GENERAL VANDERHOOF:
They will be National Guard members who are on active duty. They are being paid as if they were in the U.S. Air Force or Army, but are still under state control. The federal government wants these guards to be either contract employees or state employees. I have had a lot of experience with both state and contract employees at the air base in Reno. My observation has been that

the state employees' qualifications and abilities far exceed those of contract employees.

CHAIR RAGGIO:

Does the federal reimbursement for security personnel include equipment and training?

GENERAL VANDERHOOF:

That is correct.

MR. CELIO:

Because they will be carrying firearms, we are going to ask the Attorney General for advice. It is likely he will recommend that these new employees have some level of Peace Officers' Standards and Training (P.O.S.T) in order to protect the state from liability. We hope to end up with a structure like the Capitol Police.

CHAIR RAGGIO:

Will these individuals understand that if the federal reimbursement funding goes away, the positions are likely not to continue?

MR. CELIO:

Yes. We have advised the federal government that if we are going to do this, we need a long-term funding commitment, at least three years. This cannot work properly if it is based on annual funding commitments.

CHAIR RAGGIO:

Whether it is a one- or three-year commitment, these employees should know that if the federal funding does not come through, their employment will likely be discontinued.

MR. CELIO:

I understand.

GENERAL VANDERHOOF:

Because it is the federal government imposing this forced protection on us, we are confident the commitment will be there. We have had this situation at the Air National Guard for over 20 years and have never experienced a cut in funding.

CHAIR RAGGIO:

With that said, if it does happen, they need to understand the consequences.

GENERAL VANDERHOOF:

I understand.

MR. CELIO:

The next budget item is E-525, the relocation of the State Emergency Operations Center (SEOC). In addition to our own small military contingent, the new SEOC will also house the Division of Emergency Management; the Nevada Department of Conservation and Natural Resources; Division of Forestry; Nevada Commission on Homeland Security; and the Nevada Highway Patrol Dispatch Unit. The SEOC will become a tenant building on our campus. If we choose to have the Department of Administration, Buildings and Grounds

Division, provide the maintenance, custodial and utility support, we would have to give up property to the state Department of Conservation and Natural Resources, Division of State Lands. General Vanderhoof has chosen to keep our campus intact; we will provide these services with the funding in decision unit E-525.

E-525 Office Relocation – Page MILITARY-5

MR. CELIO:

The next item is decision unit E-526 which supports the new National Guard Las Vegas Readiness Center, often referred to as the Las Vegas Armory. The new armory is scheduled to open in February 2007. The requested funds will provide about five months of utilities, custodial and maintenance support for the new facility. That facility is currently described in the *Nevada State Public Works Board 2005-2007 Recommended Capital Improvement Program* (CIP), Project No. C13. Design funds were approved during the 2003 Legislative Session.

E-526 Office Relocation – Page MILITARY-6

Project No. C13 - Las Vegas Readiness Center

SENATOR RHOADS:

What is the status of the Elko Armory relocation?

GENERAL VANDERHOOF:

After the Las Vegas Armory move has been completed, my next priority is the relocation of the Elko Armory. The state is responsible for providing the property. The federal government will pay 75 percent of the remaining costs. You should see some results within the next two years.

CHAIR RAGGIO:

When will the construction of the Las Vegas Armory actually begin?

MR. CELIO:

It will begin early next year.

CHAIR RAGGIO:

Has the decision on the site been finalized? Who will own the land?

GENERAL VANDERHOOF:

There are still a few minor zoning issues we need to resolve. We have the federal money already. The State of Nevada will own the land.

CHAIR RAGGIO:

Will the fact that it is on state land present a problem with getting the federal funds?

GENERAL VANDERHOOF:

No. It is rare when an Army National Guard site is not on state-leased land.

CHAIR RAGGIO:

In decision unit E-526, what are the five new positions which start in February 2007?

MR. CELIO:

The size of the new building requires additional custodial, maintenance and supervisory staff. Decision unit E-710 is a request for replacement equipment, particularly to replace two old state-owned vehicles used for maintenance. We also need to replace an aging computer server and two laptop computers.

E-710 Replacement Equipment – Page MILITARY-6

CHAIR RAGGIO:

Do you have concerns about the federal government paying a portion of the utilities for the armories?

MR. CELIO:

Yes. In the past two years the federal government helped us with up to 50 percent of the armories utility costs. We were recently notified by the federal government they may no longer be able to provide this assistance which has totaled \$150,000 in each of the last two years.

SENATOR COFFIN:

Where is the new Las Vegas Armory going to be located? How many acres of land does it include and will you do dust control in the area?

GENERAL VANDERHOOF:

The new location is southwest of McCarran International Airport, just to the north of Gomer Road. The armory will be located on 50 acres, and the streets will all be surfaced to avoid dust. We have held a public meeting and notified the county commission. Most of the people in Las Vegas are very supportive of this move.

The next budget account is the Adjutant General Construction Fund which provides authority to the Office of the Military to receive federal funds for environmental, construction and major repair projects. The last budget account is National Guard Benefits.

Adjutant General Construction Fund – Budget page MILITARY-10 (Volume III)
Budget Account 101-3652

National Guard Benefits – Budget page MILITARY-12 (Volume III)
Budget Account 101-3653

GENERAL VANDERHOOF:

The 2003 Legislative Session approved a test program that allowed the University and Community College System of Nevada Board of Regents to waive registration and laboratory fees for Nevada National Guard members. This does not include medical or law students. The test program has been very successful. I credit the earlier tuition reimbursement program, established in 1973, with keeping our National Guard troop retention rate high. This budget request is to maintain that program in the form of a tuition waiver. If recently introduced legislation to make this waiver program permanent is passed, the majority of the money in this budget account will be returned to the General Fund.

MR. CELIO:

This tuition waiver test program covered fall and spring semesters, but did not include summer school. Budget account 101-3653 contains a small amount of money for 17 students for summer school sessions.

CHAIR RAGGIO:

The Base Budgets for the University and Community College System of Nevada (UCCSN) indicate that tuition waivers will continue at the University of Nevada, Reno, Western Nevada Community College and Truckee Meadows Community College. However, the University of Nevada, Las Vegas, Community College of Southern Nevada, Great Basin College and Nevada State College at Henderson exclude the waiver. What is the reason for that?

MR. GHIGGERI:

There was a lack of consistency in the development of the budgets by the University System. Some campuses included the continuation of the program while others did not. If legislation is successful this session for additional funding of this program, it would require those campuses that did not include the funding on a continuing basis to do so.

CHAIR RAGGIO:

What is the amount of funding that would be necessary to fund the tuition waiver program for FY 2006 and FY 2007?

MR. GHIGGERI:

I will check the UCCSN budget and provide you with that information.

CHAIR RAGGIO:

What has been the student dropout for this program?

MR. CELIO:

Because this waiver program was implemented so rapidly in 2003, the fall semester turnout was low. By the spring semester of 2004, about 420 students had enrolled. Many were initially excited about the program, but soon dropped out because they were unprepared for the difficulty of the class work. That dropout rate leveled off by the fall of 2004. These students must repay the institution if they drop out, or fail to maintain a 2.0 grade point average.

GENERAL VANDERHOOF:

The last two years have been hectic for the National Guard. Some students were mobilized and sent to the Middle East. Some were mobilized, yet remained in Nevada and were able to take advantage of this program. Many who returned found that war was a maturing experience, and they now give more thought to their future and families. As a result, we are seeing much more interest in this program, much the same as that which happened with the GI Bill after World War II. I must reiterate that this program has had a significant impact in helping us retain our current troop levels.

SENATOR COFFIN:

With regard to the people who dropped out and have to pay back the tuition, I know their minds can sometimes be unsettled. Are we able to offer these soldiers the counseling and psychological guidance they need?

GENERAL VANDERHOOF:

We have never before kept such close tabs on people who are returning. We talk with them, their families and their employers. We are looking for stress syndrome or other problems. Some people do have a variety of problems when they return.

MR. CELIO:

The UCCSN has been willing to work with us on those people who were mobilized and had to drop out of classes. As a result, these students are not being asked to reimburse the tuition costs.

SENATOR COFFIN:

I was suggesting that those who enroll in this program after returning might be a little unsettled and unprepared for the work.

CHAIR RAGGIO:

We will close discussion on the Office of the Military budget and commence with the Office of the Governor, Nevada State Office of Energy (NSOE), Energy Conservation budget account.

ELECTED OFFICIALS

Energy Conservation – Budget page ELECTED-22 (Volume I)
Budget Account 101-4868

RICHARD BURDETTE (Director, Nevada State Office of Energy, Office of the Governor):

Please refer to my handout ([Exhibit G](#)) titled Nevada State Office of Energy: 101-4868. The responsibilities of the NSOE are to implement the Governor's Comprehensive Energy Plan for Nevada. Virtually all our expenses are paid for by DOE grants, with the exception of one-half of the Director's salary. We spend a great deal of time administering federal grants. We also represent Nevada in regional planning efforts with the governors of other Western states, the Western Interstate Energy Board and the National Association of State Energy Officials. We support and encourage energy policies that focus on renewable energy, energy conservation and protection of Nevada's economic vitality.

We are requesting a Deputy Director position to be paid for by General Funds. In the past, we have matched federal funding for this position by using money from the Petroleum Overcharge Rebate Account. The balance in that account will soon be depleted. We are requesting a grant's and project analyst I position which would be paid for by DOE funds. We have an obligation to monitor and manage these grants closely, and do not currently have the resources to do that. While many of these grants are block grants, some require us to compete with other states for the funds. Without more personnel to go after these grants, we are at a disadvantage when compared to other states.

We are also requesting reclassification of our accountant position. This will also be funded by the DOE. There are many new accounting practices we need to implement as well as to enforce the associated contract and accounting standards. The demands on the accountant position are substantial. We are requesting funding for training. The federal government has established a new grant application process that requires us to process paperwork. We need a

printer and a scanner to maintain our records, and we need more travel money to accomplish the extra monitoring required, especially since a number of our contracts are in southern Nevada.

The last item is the Energy Assurance Plan. This is administered by the DOE for the Department of Homeland Security. It involves establishing critical infrastructure and organizational relationships with emergency planning organizations. We expect to obtain all the funds we need from a federal grant, but because we are not certain we will get that funding, we will need to request General Fund money.

CHAIR RAGGIO:

When will we know whether the federal government is going to pay the \$125,000 to update the Energy Assurance Plan?

MR. BURDETTE:

We should know by June 2005. We may, however, have preliminary information within the next two months.

CHAIR RAGGIO:

Let our staff know as soon as you get that information. Why is the new deputy director position not federally funded, if the grant's analyst I position is federally funded?

MR. BURDETTE:

We need some General Fund money to replace the Petroleum Overcharge Rebate Account which is running out of funds.

CHAIR RAGGIO:

When will the Petroleum Overcharge Rebate Account run out?

DAVID McNEILL (State Energy Program Manager, Nevada State Office of Energy, Office of the Governor):

We have from \$270,000 to \$275,000 left in that account. That may allow us to provide our nonfederal cost share match requirement to the DOE through this biennium, but probably not beyond. There are two court settlements being heard which may pay Nevada another \$65,000 to \$70,000.

Senate Committee on Finance
February 8, 2005
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CHAIR RAGGIO:
There being no further business to discuss, this Committee is adjourned at
10:41 a.m.

RESPECTFULLY SUBMITTED:

Michael Archer,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____