

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session  
February 14, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:00 a.m. on Monday, February 14, 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  
Leslie Johnstone, Program Analyst  
Jo Greenslate, Committee Secretary

**OTHERS PRESENT:**

Dennis K. Neilander, Chairman, State Gaming Control Board  
Joe Bertolone, Chief Administrative Officer, State Gaming Control Board  
Charles (Chuck) W. Fulkerson, Executive Director, Office of Executive Director for Veterans' Services, Office of Veterans' Services  
Ace Tan, Administrative Services Officer, Office of Executive Director for Veterans' Services, Office of Veterans' Services  
John P. Comeaux, Director, Department of Administration  
Tim Tetz, the American Legion Department of Nevada  
Gary Bermeosolo, Administrator, Nevada State Veterans' Home, Boulder City  
Darrel L. Hansen, Administrative Services Officer, Nevada State Veterans' Home, Boulder City  
Ron W. Sparks II, Executive Director, Western Interstate Commission for Higher Education (WICHE)

CHAIR RAGGIO:

Are there any solicitations for bill draft requests (BDR) this morning? We have a request received from Mr. Randy Black pertaining to the Nevada Military Advocacy Commission with a letter to Governor Guinn dated January 20, 2005, ([Exhibit C](#)) requesting a position for that commission, of which Senator Mathews is a member, to retain existing military missions and installations in the State.

Senate Committee on Finance  
February 14, 2005  
Page 2

SENATOR MATHEWS:

That is exactly the mission of the Commission, to keep the military bases in Nevada open.

CHAIR RAGGIO:

With the understanding the Committee is not committed to passage, I will accept a motion to introduce a BDR.

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF A BDR TO RETAIN THE EFFORT TO KEEP EXISTING MILITARY MISSIONS AND INSTALLATIONS IN THE STATE OF NEVADA.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS CEGAVSKE, TITUS AND RHOADS WERE ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:

We will open the hearing on the Gaming Control Board.

## GAMING

Gaming Control Board – Budget Page GCB-1 (Volume I)  
Budget Account 101-4061

CHAIR RAGGIO:

I wish to disclose that I am a board member of Archon Corporation, which has licensed gaming, and I am licensed in that capacity. Because of a scheduled conference call, I am going to turn the meeting over to Vice Chair Beers temporarily.

DENNIS K. NEILANDER (Chairman, State Gaming Control Board):

I will be referring to the handout titled, "State of Nevada Gaming Control Board, FY 2005-2007, Budget Accounts 4061 and 4067, Biennium Budget Presentation" ([Exhibit D](#), original is on file at the Research Library). Page 1 is an outline of the exhibit contents. Page 2 contains our mission statement and organizational goals. Those have not changed over the years. Page 3 is our organizational chart. As you can see under "State Gaming Control Board," the seven operating divisions are a direct line up to the Board. Those seven divisions are as they were in the last biennium, and they have not changed functionally.

On page 4, I would like to spend a few minutes giving you an update on some of the things that are happening within the industry for the upcoming biennium. First, in fiscal year (FY) 2004 casino gaming was a \$20 billion industry, based on the abstract we just released last week. Tax collection and fee revenue came in at \$855 million. The industry has over 190,000 employees, and we currently have 2,923 licensed gaming operators, manufacturers and distributors in Nevada.

We continue to be the premier regulatory model for gaming jurisdictions worldwide. Currently, there is a lot occurring in emerging jurisdictions. Therefore, we have been meeting with new gaming jurisdictions and new

regulators, as well as legislators, as they try to fashion their regulatory apparatus for other jurisdictions.

Gaming industry trends are rebounding around the globe in terms of gaming revenues. There has been a resurgence in the Asian markets, and the U.S. markets continue to recover. Gaming is more visible throughout the world. A number of jurisdictions, which previously had no gaming, are considering whether to legalize some form of gaming. There continues to be growth, maturation and consolidation within the marketplace, creating more complex corporate structures to regulate. Gaming technology is driving the next generation of gaming devices, associated equipment and management systems. I will talk about this, in particular, later. There is more complex investigations enforcement auditing, due in part to expansion of gaming, but also due to the involvement of multi-jurisdictional entities.

Page 5 of [Exhibit D](#) is a pie chart which breaks down the taxes collected. The vast majority of those, 79.3 percent, are the percentage fees. As you continue reading the chart, entertainment tax is the next largest segment, at almost 10 percent. The remainder is the annual, quarterly and flat fees.

VICE CHAIR BEERS:

Is the entertainment tax the tax that passed two years ago?

MR. NEILANDER:

It is.

VICE CHAIR BEERS:

If that were to go away, I have heard discussion among Legislators that it would have a significant impact on your budget.

MR. NEILANDER:

Yes. There always was an entertainment tax on gaming entities. The live entertainment tax, that replaced the old casino entertainment tax, picked up many nongaming entities along with gaming entities. We have always had that component on the gaming side, and it is approximately 10 percent of all gaming collections.

VICE CHAIR BEERS:

Did you budget to spend what we budgeted to receive from the new live entertainment tax?

MR. NEILANDER:

Yes, we did. In essence, it is a pass-through; it passes through to the General Fund. As far as our agency, there is an impact, but it is not substantial.

SENATOR MATHEWS:

Were collections at 10 percent before we passed the last gaming tax?

MR. NEILANDER:

Yes. This is just collections, not our budget, and it was roughly the same. We picked up a couple of venues previously not covered, and we lost a couple of venues. For example, we lost the collections previously received from nightclub dancing. That was previously taxable, but was no longer taxable after the live entertainment tax passed, because it was deemed not to be live entertainment.

On page 7 of [Exhibit D](#) are issues that are driving our budget concerns as we go forward. The first one is increased use of technology. That is from both an external and internal point of view. We are trying to use technology to regulate gaming more efficiently. However, from an external view, we used to be able to draw a clear delineation between gaming devices and associated equipment or things that worked with a gaming device. Today, many of those things are interfacing with one another, and we are reviewing that technology differently. Many of these devices are communicating with one another. There are cash management systems, online slot tracking systems and cashless wagering systems, all interfacing with the gaming devices. This is the wave of the future, and we are obviously concerned about this trend.

We have had some increase in facilities expenditures which I will talk about in more detail. The complexity of gaming operators, manufacturers and distributors has affected our licensing process, the way we look at gaming devices, multi-jurisdictional licensing and enforcement. Additionally, we have had to participate in a number of new task forces having to do with homeland security and things of that nature. Recruiting and retaining qualified staff remains a challenge for us, and we need to maintain adequate funding for training.

Page 8 of [Exhibit D](#) addresses analysis of revenues and expenditures. We were required to submit a budget that was two times the Base Budget. It was essentially a flat budget. You will see some increases in revenue coming into the agency, and this is passed through the General Fund. We expect to see the number of work permits increase over the next biennium. In the last Legislative Session, the counties and local governments used to issue gaming work permits for employees in the industry. The Board picked up those programs as the counties began to discontinue providing that service. The Board centralized that system, and we had approximately 17,000 applications in FY 2004. We expect the number to go up in the next biennium as new resorts come on board and there is expansion within the industry. As part of this, the applicant pays a \$75 fee. Of that, the Board retains \$30 to cover administrative costs to process work permits, \$45 is passed through to the Federal Bureau of Investigation (FBI) and National Crime Investigation Center (NCIC) for background checks.

VICE CHAIR BEERS:

Is \$30 enough to cover administrative costs?

MR. NEILANDER:

It is right now. It is difficult to predict how many people will come in and out of gaming jobs, but if the numbers stay on track with the projections, it is a breakeven at \$30. The other increase is in a small pocket of investigative fees in order to support new positions. Within the Governor's budget, we have the 2 percent plus 2-percent cost of living allowance, and you will see increases due to longevity pay. On the operating side, we have increases because the rent at the Grant Sawyer Office Building in Las Vegas increased. The Governor's Office reallocated how the rent is paid by dividing some of the common areas within the building and increasing the amount of rent to each tenant for the same amount of space.

On page 9 of [Exhibit D](#) is a pie chart summarizing revenue sources for the State as it relates to gaming. On the bottom of the page, note the General Fund appropriation is 74 percent. Nineteen percent is pass-through fees, the investigative fees we charge applicants primarily for pre-licensing. Work permit

fees show up at 6 percent, and the remaining 1 percent is categorized as "other." Page 10 breaks down the expenditures within the agency. Note that 86.3 percent of our expenditures are salary related.

VICE CHAIR BEERS:

I am turning the gavel over to Senator Raggio.

CHAIR RAGGIO:

Do the work permit fees cover the program?

MR. NEILANDER:

Yes. I will go into that in some detail shortly.

The operating budget is at 9 percent, and there are small percentages for information technology, travel and training.

#### E-710 Replacement Equipment – Page GCB-5

We requested additional funding which was approved through the Governor's Office. As you may recall, the Board purchased our computer system using forfeiture funds. We have not used any General Fund money to support our computer system. We are now at the point where we are getting into replacement cycles, and I will let Mr. Joe Bertolone explain that, but we need to allocate some money in the General Fund at this point. We cannot rely upon forfeiture money for budget purposes. We used to be involved in several sports betting cases with the FBI, which had some nexus to Nevada, but were occurring elsewhere. Much of that attention has shifted away in terms of federal agencies. After the tragedy of September 11, 2001, there was a shift away from chasing those types of activities, and that decreased the forfeiture funds in which we had previously been involved.

JOE BERTOLONE (Chief Administrative Officer, State Gaming Control Board):

The purpose of the replacement equipment cycle is to allow the Gaming Control Board to establish a regular replacement cycle for our computer equipment. This significantly impacts our ability to keep up with technology in the industry, as well as replacing aging equipment we now support through time and materials, in many cases, and buying spare parts. The first priority with this funding is to replace our networking equipment. That allows us to release new applications the Gaming Control Board is using to regulate the industry, as well as to replace the desktop and laptop computers our agents use in the field and throughout the Board. It also allows us to put into place better communication links between our five regional offices throughout the State. Additionally, we can keep pace with the growth, as Mr. Neilander mentioned, in our permit registration unit that continues to grow. Some of the funding allocated in this enhancement will allow that, as well as our laboratory used to test gaming devices. Again, in order to keep pace with the technology the industry is using, we need to ensure our laboratory is funded and we are able to buy the latest equipment.

CHAIR RAGGIO:

Is this estimate of \$500,000 in the General Fund?

MR. BERTOLONE:  
Correct.

CHAIR RAGGIO:  
Is it approximately \$410,000 the first year, and \$47,000 the second year?

MR. BERTOLONE:  
That is correct.

SENATOR MATHEWS:  
I am curious, is this like spring-cleaning, a module maintenance-225 (M-225) expense or is it an electronic sweep?

MR. BERTOLONE:  
This is something the Governor recommended. The majority of these costs are associated with carpet cleaning and replacement, which is not included in our regular budget, as well as air-system cleaning which has not been done in years.

SENATOR BEERS:  
We have been hearing of a new replacement schedule the Department of Information Technology (DoIT) is promulgating which is four years for users and three years for cutting edge users. Are you adopting that? I assume your agency is considered cutting edge.

MR. BERTOLONE:  
Yes, I would like to think we are cutting edge, and we are adopting that cycle. This will get us on the way to replacing those computers in a four- to five-year time frame, depending upon the funding we have.

SENATOR BEERS:  
I would think that, as our leading regulatory agency in the State and for our leading industry, that you should be cutting edge.

MR. BERTOLONE:  
I would agree.

SENATOR BEERS:  
Where is that decision made?

MR. NEILANDER:  
We submitted a request in excess of the approved amount which would provide for the four-year replacement cycle.

SENATOR BEERS:  
This budgeted amount does not get you the four-year cycle?

MR. BERTOLONE:  
The original request for this enhancement was approximately \$1 million. That would allow us to replace a certain percentage of our fleet sooner than expected, and over the course of FY 2006, to replace the networking equipment which is our oldest equipment. Once that is completed, rolling into the next biennium, we will be able to establish a more frequent computer replacement cycle for our laptops and desktops, moving toward a three- to four-year replacement cycle.

SENATOR COFFIN:

I am curious whether you are maintaining a totally secure, separate network such as the Universal Resource Locator system for internal studies. Is there anyway anyone could hack into it from Internet access to your public Web page?

MR. BERTOLONE:

The network we have established is extremely secure. We are using state-of-the-art firewall techniques. A portion of our network goes through DoIT, and we are behind their firewalls. In addition, the information we have, from a network standpoint, is secure, using the most advanced technology we have today, via passwords for our remote access. That is an extremely high priority. In fact, one of the reasons we are requesting the network replacement is to ensure we maintain that type of security.

SENATOR COFFIN:

That was my number one question, because your in-house computers and other equipment are of secondary importance as long as they are still functioning well. I am also curious about how you are doing with the equipment we currently have and have purchased in the past as separate line items. It has to do with the ability to check the Erasable Programmable Read Only Memory (EPROM) in the machines. This is a machine-dominated industry now, as much as the people running it are licensable, there are unlicensed people out there that can do some fun and fancy games with them.

MR. NEILANDER:

We still have what we refer to as the "chip checking team" which is a group of employees who report through the laboratory. They go around in teams and inspect all the gaming devices in the field to ensure the chips in those devices are the same ones approved by the laboratory. We put that program in place several years ago. As we get away from EPROM chips, the future is in centralized games. The games are linked together and operate with a back-of-the-house computer. We are spending a lot of time currently reviewing that technology and preparing technical standards that will allow us to go forward into that environment.

SENATOR COFFIN:

It is important to have equipment new enough and equal to the task of checking whatever has been purchased by the vendors.

MR. NEILANDER:

On page 12 of [Exhibit D](#) are the new positions included within our budget. These are not affecting the General Fund; we are proposing small fee increases that will pay for these positions. The first three are enforcement positions that relate directly to the employee registration unit, the \$75 we mentioned earlier. On page 14, I will cover that now since it is related. Over a six-month duration, we processed over 17,000 gaming applications in FY 2004. This program has established a fully-staffed unit in Las Vegas. It operates 7 days a week, 24 hours a day, in 3 shifts. It allows us to use employees on the graveyard shift as dispatch units as well as employees in the field working the swing or graveyard shift. This has standardized the uniform criteria and application qualification process for Statewide programs. When the local governments had this program, there were variable fees depending on where one applied. There were different standards of criteria for suitability to hold a work permit. That



has now been standardized and centralized. We are meeting our turnaround obligations in terms of the length of time it takes to process the background check and either object to or issue the registration.

CHAIR RAGGIO:

Is it accessible and easy for applicants to use this system if in Reno, Elko or Las Vegas?

MR. BERTOLONE:

It is easier now, because the way the system is set up, the applicants are submitting the application through their employer. When they go in and apply for the job, they get the application right there. They fill it out, seal it and give it to the employer. The employer has a password-protected virtual private network where they can submit it online to us.

CHAIR RAGGIO:

Where do they print the application?

MR. BERTOLONE:

Anywhere they desire.

CHAIR RAGGIO:

Can they go to the local law enforcement agency?

MR. BERTOLONE:

Yes, they can do that or go to any of a number of private fingerprint agencies that will roll their prints for them. The local governments now have the ability to submit the prints electronically to NCIC or the FBI. The larger jurisdictions now have electronic equipment. This is good, because one of the problems with rolling fingerprints manually is, by the time the card gets to the FBI and they start to look at it, three to four weeks have lapsed. If the card was a bad roll, by the time they send it back, we have to start over again. Once you are registered and have a work permit, you can change jobs without reapplying. You can go to a different jurisdiction without reapplying and paying additional fees. You have to notify the Board that you have changed employment, but there are no associated fees.

The \$75 fee I mentioned is the same as it was last biennium, with \$45 passed through to the FBI or NCIC for the background check. It is costing us approximately \$30 administratively per person to process. Currently, we are on track with that, but we expect the number of applications to increase. We are projecting 31,000 applications for each year in FY 2006 and FY 2007. Assuming we are on track, we should be able to keep that fee static. If it looks like we are receiving more than expected, there is a possibility we would lower the fee. If it is less, we will have to increase the fee.

Back on page 12 of [Exhibit D](#), the three enforcement positions listed are for that application program. We need three more people to accommodate the increase in applications we anticipate in the next biennium. Those positions should be self funded. The four investigation positions consist of two investigators who would be performing pre-licensing investigations and two investigators who would be in what we call our Regulation 25 from the Gaming Control Act and Regulations program. Independent agents, who host others to bring casinos into Nevada, must register with the Board. We have seen an increase in the number



of active independent agents, especially in the Las Vegas area. This is due, in part, to less travel restrictions in China and some of the places in Asia where it was previously more difficult to travel. There is no fee associated with these investigations. We are using our agents, who are paid out of General Funds, without reimbursement. We propose to pay for these independent agents by charging them a registration fee.

CHAIR RAGGIO:

How do they operate? Are they allowed to operate until they are called up and, unless there is an objection, to continue?

MR. BERTOLONE:

They are not compensated until they are registered.

CHAIR RAGGIO:

They register, but are not necessarily investigated.

MR. BERTOLONE:

That is correct. It just depends. We initially run them through a criminal background check and if there are any red flags, we take it to the next level.

CHAIR RAGGIO:

When they register, do they supply fingerprints and the usual application?

MR. BERTOLONE:

Yes. It is similar to the work permit application. We are using the two auditor positions in the research and development side of our Audit Division which is the side that reviews technology related to accounting. Those two positions were approved by the Interim Finance Committee (IFC) at its last meeting and are part of our new positions. We are scheduled to fill these positions effective March 1, 2005.

CHAIR RAGGIO:

We are noting, staff, there may be elimination of the equipment funding on this item. Is that correct?

MR. BERTOLONE:

Yes.

CHAIR RAGGIO:

The budget contains \$8,972 for these positions funded through the work program request, and we approved that.

MR. BERTOLONE:

That is correct.

CHAIR RAGGIO:

We may have a recommendation from staff to eliminate the equipment funding.

MR. BERTOLONE:

Yes, we are aware of that. Those are the new positions. We are beginning to get a backlog now on the associated equipment side. We have caught up on the gaming device side, but we have a backlog and we want to head it off now to prevent a critical situation.

CHAIR RAGGIO:

What about the nine positions you abolished? Are they back in the budget?

MR. BERTOLONE:

No, they are not.

CHAIR RAGGIO:

What kind of impact did that have?

MR. BERTOLONE:

We abolished 11 positions last Legislative Session in order to stay within a flat budget. This time, we abolished one. The fees we discussed will keep us in a flat budget mode.

#### E-200 Reward More Efficient Operations – Page GCB-4

This category is our out-of-State travel. We were asked to break it out as an enhancement category because we did not expend all of the funds appropriated the 2003 Legislative Session. The primary reason is that a number of gaming conferences we would normally attend out of State were in Las Vegas. Additionally, one of the major conferences in which we participated was in Scottsdale, and it was inexpensive for our staff to get there.

#### E-804 Cost Allocation – Page GCB-5

This decision unit is the cost allocation for dispatch services and is merely a reimbursement mechanism from FY 2003. We paid for this before, but were told to separate it out this time.

CHAIR RAGGIO:

Refresh the Chair's recollection. What are dispatch services?

MR. BERTOLONE:

The 2003 Legislative Session, the Legislature approved this fee recovery by the Department of Public Safety for the costs associated with its dispatch service. There was an allocation among agencies to reimburse Public Safety. Each agency provided with this service is charged a reimbursement fee of \$6,000 each year.

#### E-811 Unclassified Changes – Page GCB-6

This decision unit reflects a study conducted by the Department of Personnel. We had at least one person affected by that study. The upgrade amounts to approximately \$1,000 each year, but we were requested to separate that out for this budget request.

Pages 15 and 16 of [Exhibit D](#) provide an update of a couple of the key issues we talked about during the last biennium. The first one regards expansion of our laboratory. Part of the problem was that we were receiving so many gaming device submissions that we were behind our target deadlines for getting those to the marketplace. The graph on page 15 of [Exhibit D](#) shows the increase in gaming device modifications. We had 1,560 in 2000, and we are up to almost 2,500 in 2005. The graph shows the number of turnaround days to have those

submissions considered in the laboratory and into the marketplace. Our goal has always been 30 days.

CHAIR RAGGIO:  
Is that the average?

MR. BERTOLONE:  
That is correct.

CHAIR RAGGIO:  
I know you had concerns expressed from a few applicants that it has taken much longer than 30 days.

MR. BERTOLONE:  
That is correct.

CHAIR RAGGIO:  
What do you see this budget doing to alleviate that problem?

MR. BERTOLONE:  
The two individuals we are requesting will alleviate the backlog to which you are referring. We talked about this with the IFC.

CHAIR RAGGIO:  
Will that bring this average turnaround lower than 30 days?

MR. BERTOLONE:  
This is only for gaming device modifications, not the other associated equipment.

CHAIR RAGGIO:  
It is not for the new devices?

MR. BERTOLONE:  
Correct. This is for modifications. In 2003, we were up to over 45 days. Based on the budgetary actions we took in the 2003 Legislative Session, we have been able to cut the time down to 30 days, even though the number of modifications has increased significantly. We hope it will drop below 30 days. The last numbers I ran were in the 20s.

SENATOR COFFIN:  
Is there anybody here from the Nevada Gaming Commission Board?

MR. BERTOLONE:  
No, only the Gaming Control Board is present today. Chairman Bernhard is at trial and has asked that I present his budget on his behalf. He will be glad to respond to you through me if you have questions on the Commission's budget.

SENATOR COFFIN:  
Since the 2003 Legislative Session, we have had a number of casino mergers, three major consolidations: Mandalay and MGM, Coast and Boyd, Caesar's and Harrahs. What is on the horizon for these mergers? I do not know if we should be worried about this from an economics point of view.

MR. BERTOLONE:

The Boyd/Coast merger was approved by the Commission. The MGM/Mandalay merger is currently under investigation by the Gaming Control Board and has not been approved. The Harrahs/Caesar's merger is currently under investigation by the Board and has not been approved. With respect to those two mergers, I cannot talk about specific details, but I can tell you Regulation 3.070 from the Regulations of the Nevada Gaming Commission and State Gaming Control Board requires us to consider all manner of anticompetitive activities in deciding whether two existing licensees should be allowed to be combined. We completed that analysis in the Boyd/Coast merger and were comfortable it would not be anticompetitive; so far, it has not. For the two mergers currently under investigation, we hired a consulting firm that used to work for the Federal Trade Commission as well as the Department of Justice. They are putting together an analysis of the impact on the State if those mergers go forward. The analysis is considered part of the investigative process on both mergers.

SENATOR COFFIN:

I can appreciate you do not want to give an opinion on the two pending mergers. Apparently, they are not as far along as I believed. If we can make assumptions, I would like a pro forma statement on how it would look assuming all current planned mergers were approved. How many independent operators would we have, what would be the revenue and what would be the geographical control situation?

MR. BERTOLONE:

I cannot speculate on that.

SENATOR COFFIN:

I will ask our Research Division. Can they contact the Board for the necessary data?

MR. BERTOLONE:

Yes. We can give you those pro forma statements.

SENATOR RHOADS:

Two years ago we passed the pari-mutuel bill that allowed other states to bet, and the money came back to the local county fair boards. Were you going to talk about that?

MR. BERTOLONE:

That system was in place. A percentage of total pari-mutuel handle was allocated and made available to the counties that had live horse or mule racing. Winnemucca has mule racing, and Elko has horseracing. Those monies were earmarked for larger purses for the live events and they were successful. The handle in Elko was up to a record level. I do not have the numbers with me, but I can provide the Committee with those numbers in terms of handle, win and what it did for Elko. Winnemucca had a smaller amount, but there has been interest expressed by Ely, once again, in having live racing. Ely had live racing for a number of years, but approximately five years ago, they discontinued racing because they were unable to make a profit. Elko has live racing in conjunction with their county fair on Labor Day. Elko has expanded from six to eight races on the day following Labor Day, and this year, they asked to expand that to twelve.

CHAIR RAGGIO:

Regarding credential pay included in the budget, how is that working? The concept was to keep people with high qualifications such as attorneys, certified public accountants (CPAs), engineers and computer science degreed people. Has that been effective?

MR. BERTOLONE:

Yes, it is effective. It is a program that is not only helpful in recruiting, but in retention as well. Within the Audit Division, the majority of our employees are CPAs, but we are certified by the State Board of Accountancy. For those who are not CPAs, their work hours count toward certification. This gives non-CPAs an incentive to become certified while working for the Board. Our salaries are comparable, depending upon which salary survey you choose.

CHAIR RAGGIO:

How do they compare with other jurisdictions that have up-to-date regulatory commissions?

MR. BERTOLONE:

Our salaries are definitely lower, especially if you compare them to some of the new jurisdictions. We are meeting with Pennsylvania's regulators next week as they begin to set up their new apparatus. Our salaries are 7 to 10 percent lower than those of local government employees in similar positions. The credential pay is a tremendous help in that regard.

CHAIR RAGGIO:

We will close the hearing on the Gaming Control Board and open the hearing on the Gaming Commission budget.

## GAMING

Gaming Commission – Budget Page GCB-8  
Budget Account 101-4067

MR. BERTOLONE:

On page 17 of [Exhibit D](#) is the organizational structure of the Nevada Gaming Commission.

CHAIR RAGGIO:

Did you, in my absence, go into the makeup of the Board and the Commission?

MR. BERTOLONE:

Mr. Scott Scherer left the Board in December 2004. The Governor appointed Mr. Mark A. Clayton to be the board member for that four-year term. Mr. Clayton worked for the Board previously and we are pleased to have him back.

CHAIR RAGGIO:

What was his previous position with the Board?

MR. BERTOLONE:

He was Chief of the Corporate Securities Division. I took his position when he left and later was appointed to the Board. Mr. Clayton has been in the industry as in-house general counsel with a number of gaming companies. He has a lot of experience in transactional work and corporate finance, and he will be a great addition to the Board.

CHAIR RAGGIO:

Who else is on the Board, in addition to yourself?

MR. BERTOLONE:

Board member Mr. Bobby L. Siller is the third member. He is retired from the FBI, and fills a law enforcement slot on the Board. He also has two remaining years on his term. Our terms are coterminous; they will both expire in two years. The chart on page 17 of [Exhibit D](#) names the Commissioners. They are Mr. Radha Chanderraj, Mr. John T. Moran Jr, whom you may remember from the Board of Wildlife Commissioners, Chairman Peter C. Bernhard, Mr. Arthur Marshall and Ms. Sue Wagner. Mr. Marc Warren is the senior research specialist that reports directly to the Commission. He is their staff person and provides a range of services for the Commissioners. We share the executive secretary between the Board and the Commission.

The Commission's budget used to be part of the Board's budget, but we split it off and made it an independent account four years ago. We support the direct costs associated with the Commission. Their primary responsibilities are to develop and review gaming regulations and monitor legislative changes. They conduct special research projects for the Commission Chairman and members. They report to and update the Commission on gaming matters, and monitor legal, technical and policy issues. The Board makes a recommendation to the Commission, but the Commission makes the final determination on licensing and disciplinary matters. Its other primary function is rule making. They are the primary policy makers for the regulation of gaming.

CHAIR RAGGIO:

The Commission and Board have regular meetings. Do you still alternate between Carson City and Las Vegas?

MR. BERTOLONE:

Yes. We alternate every other month between Carson City and Las Vegas. We meet for at least two full days at the beginning of the month. The Commission usually meets two weeks after the Board meets to consider any recommendations the Board made during that particular month.

CHAIR RAGGIO:

What is the outlook? What is new that we should know about?

MR. BERTOLONE:

What is new is technology. It is driving the industry right now. As the industry expands, the technology is becoming cost effective to use in order to better the gaming experience. Additionally, it makes complying with regulations easier. We are trying to stay on top of the technology in order to respond to meeting the needs of the industry in terms of regulating it in the most efficient manner. For example, we are requiring all casinos above \$10 million in gross gaming revenue to have an online slot-metering system. This slot-tracking system will aid us in

auditing tax revenue, and it will allow the industry to know exactly what a gaming device is doing at any given time.

CHAIR RAGGIO:  
What are your deadlines for implementation?

MR. BERTOLONE:  
We have passed the deadline; we had to extend it an additional year.

CHAIR RAGGIO:  
There are some amazing advances in technology where you are able to watch a game and know which cards are being dealt. It is almost overwhelming to see what casino operators can watch and monitor. Is that what you are talking about?

MR. BERTOLONE:  
Yes, and obviously that will be our challenge. Our challenge will be not only to identify the "good guys" and "bad guys," but go way beyond that at this point. We need to ensure technology is being used properly and not being misused.

CHAIR RAGGIO:  
You have the Winn Resort coming online. Are there any others being proposed?

MR. BERTOLONE:  
There are a number of expansions proposed from existing operators. There are also a significant number of nongaming projects coming online in the strip area. The MGM has proposed a massive development involving gaming and nongaming uses. In the downtown area, there are a number of projects on the board with respect to housing. Condominium projects that do not have a gaming element are springing up as well as retail businesses. These are nontraditional uses on the strip. The Bellagio Hotel and Casino just completed a tower, as well as Caesar's Palace. The Venetian Hotel Resort Casino has a plan to create a second offering called Palazzo which is going to be another hotel tower with gaming space. Where Mr. Phil Ruffin's properties are, Mr. Donald Trump has now joined in, and they are building a condominium project that may have other components. The individuals who run the Landry's Restaurant chain have just applied for licensing and are attempting to acquire the Golden Nugget downtown.

CHAIR RAGGIO:  
What is the status in Laughlin?

MR. BERTOLONE:  
Laughlin seems to be recovering. It has hit the bottom, and if you look at gross gaming revenue, there is currently an upward trend in Laughlin. Laughlin has felt the brunt of Indian gaming, and, providing it does not expand any further, we should continue to see stabilization in those markets.

CHAIR RAGGIO:  
The impact of Indian gaming in California has obviously had more effect here in northern Nevada, but I noticed in the last numbers there was an increase in gaming revenue.



MR. BERTOLONE:

Yes, even in Washoe County, we reported a positive gross gaming revenue increase on a yearly basis for the first time in three years. There is some stabilization, but, again, if there is another expansion of tribal gaming, we will have to start over and see what happens.

SENATOR TITUS:

There has been talk about a lottery. Do you see how that would have an impact on your operations?

MR. BERTOLONE:

A couple of things can be done with a lottery. Nevada is a small enough State that our population in previous years probably could not have supported a lottery. Our population is becoming larger. States of similar size have teamed up and pooled their funds to create large enough jackpots to generate the interest seen in bigger lotteries. There are a couple of ways to regulate a lottery. You would not want someone like the Gaming Control Board regulating it in the same fashion it regulates gaming. The reason I say that is, you would not want the same entity operating a lottery that is also in charge of the integrity of the lottery. Additionally, we are privy to all of the marketing plans, including confidential numbers, for all gaming operations in Nevada. If the Board were chosen as the entity to regulate a lottery, it would have to be split off as a separate division. Lotteries are different from traditional gaming, because usually lotteries are dependent upon a lottery system. The first thing to do is select a system that fits the need; that is generally contracted. Therefore, the State would not be operating that portion of it. Many states contract out the marketing as well. Within the Gaming Control Board and the way we regulate casino gaming, we are strict and isolated. With respect to a lottery, that is not always the case. Whatever this body decides, we will help you figure out how to do it.

SENATOR TITUS:

Would it be easier to allow the casinos to run Powerball? Would that take a constitutional amendment? Would that serve the same purpose as a lottery and avoid having to create a separate bureaucracy?

MR. BERTOLONE:

I would have to review the law to determine whether Powerball fits our definition of lottery. A lottery, as a matter of law, cannot be offered by a casino. There are a number of tests the Nevada Supreme Court uses to determine if it is a traditional lottery. If it is, it is illegal in Nevada. There are gambling games with traits similar to lotteries, but since they are defined as gambling games, they are not lotteries and are therefore legal.

SENATOR TITUS:

Would you look at Powerball to see if that is a lottery?

MR. BERTOLONE:

We certainly could.

CHAIR RAGGIO:

The Nevada Constitution prohibits a lottery and has since its adoption. In order to impose a lottery, it would have to pass two Sessions of the Legislature, and then go on the ballot. It is not an immediate solution. The obvious concern is

the Nevada lottery, with a population of approximately 2 million people competing against the California lottery, for example, is not very attractive. In Reno, people can drive ten miles to Verdi and buy California lottery tickets with big payoffs. If we are going to have a lottery, it should probably be a multistate lottery so the payoff is competitive.

SENATOR COFFIN:

I have a question about advertising. The Board has had an interesting exchange of public spats with casino operators over the edgy advertisement issues. Apparently, Hard Rock is the one that has been a thorn in your side, and they have come back with more comical advertisements that are not risqué, but more cerebral. I am curious about what the Board deems allowable.

MR. BERTOLONE:

You need to keep in mind the disciplinary action we took in the Hard Rock case was not because of the sexual nature of those advertisements. The Hard Rock argued that it was and tried to make it a First Amendment issue, but it was not. The two advertisements that were the subject of that complaint dealt with illegal activities and the use of illegal activities in advertising. There was a legal argument put before the Commission to decide whether illegal activities could be used as a basis for an advertisement. There is a lot of complicated case law regarding this, but it needed to get in front of the Commission to reach resolution.

SENATOR COFFIN:

Refresh my memory on the two illegal activities.

MR. BERTOLONE:

The two illegal activities were cheating at gaming, which was inferred in one of the advertisements, and the other advertisement involved something about pills. The advertisement that was the subject of the complaint had to do with a previous agreement between Hard Rock and the Board; Hard Rock would set up a compliance committee to review any questionable advertising to negate involvement by the Board. The Board has no interest in being the moral police for the gaming industry. However, since Hard Rock had prior trouble, we agreed there should be a mechanism to ensure they could review their own advertising. That would prevent marketing people from dictating everything and keep the gaming people aware of what was going on in the marketing field. We settled that complaint. This was a unique set of circumstances.

SENATOR COFFIN:

The only thing that worries me about a lottery is that we will have State-sponsored advertising which encourages people to gamble. We currently do not do that. Do we not have a regulation to that effect?

MR. BERTOLONE:

We do. The thing we focus on in advertising is ensuring the advertising is truthful and does not mislead. For example, where we get involved in advertising is when someone says, "We have the best payback percentage in the world." You have to be able to prove it in order to say it.

SENATOR COFFIN:

I do not see how you could have a lottery without lying. It is the worst bet in gambling, but on the other hand, it is a lot of fun. I do not know what to do on

this issue. I would not mind it if no advertising was involved. I have a feeling the State would be involved in telling everybody to gamble. You do this because of a necessity for money. I would not necessarily want you to divorce yourself from lottery activity, as you mentioned earlier. Either that or we would have to have a parallel set of statutes and regulations on the same subject.

MR. BERTOLONE:

There are a number of options. As you get further down the road, we would be happy to provide the input. We have some expertise in those areas.

SENATOR RHOADS:

Is gaming in the rest of the world gaining rapid momentum, leveling off or going down?

MR. BERTOLONE:

There is an upsurge in gaming. In the United States, I am not sure we will have more expansion in the next couple of years. A number of states will continue to consider "racinos" which have existing racing facilities and are adding slot machines. Pennsylvania is the most recent. There may be some expansion there. In terms of outside the United States, Singapore is currently considering whether to legalize gaming. Macau has expanded its gaming opportunities. In Hong Kong, there is consideration of whether to expand gaming. The Australian gaming market is flat and, perhaps, going the other way. The United Kingdom market is expanding. There is now legislation being debated in the English Parliament which will allow, depending on how they define it, a major expansion. In any event, it will at least be a small expansion of casino-style gaming. Internationally, gaming is growing.

SENATOR BEERS:

How do Nye County and Pahrump compare?

MR. BERTOLONE:

Pahrump is doing well. As you know, one of the larger casinos in Pahrump had a fire, and there was a redistribution of their gaming activities. We have seen an increase in gaming applications, as the population grows, in convenience stores and grocery stores. I can break down those numbers for you. I do not have them with me, but I can get them to you.

SENATOR BEERS:

What are your thoughts on placing more machines in 7-Eleven and corner stores?

MR. BERTOLONE:

Currently, the convenience stores are limited as a matter of law to seven machines, and the stores must be a certain size, in excess of 1,000 square feet. There are a number of stores grandfathered in. The limit of seven machines was established in 1995 or 1997.

CHAIR RAGGIO:

The Department of Administration had a study of unclassified salaries and recommended some unclassified salary augmentations, but the Gaming Control Board was not included. Was there a reason for that?

MR. BERTOLONE:

I am not sure of the answer, but we are looking into it.

CHAIR RAGGIO:

Let us know the situation.

SENATOR CEGAVSKE:

I want to disclose that my husband is the general manager for Crawford Coins.

SENATOR COFFIN:

One of my clients is a major casino resort, Coast Resorts.

CHAIR RAGGIO:

We will close the hearing on the Gaming Commission and we will open the hearing on the budget for the Office of Veterans' Services.

#### VETERANS' SERVICES

Commissioner for Veterans' Affairs – Page VETERANS-1 (Volume III)  
Budget Account 101-2560

CHARLES (CHUCK) W. FULKERSON (Executive Director, Office of Executive Director for Veterans' Services, Office of Veterans' Services):

I will paraphrase from a document prepared by the Nevada Office of Veterans' Services ([Exhibit E](#)). We have a nine-member Nevada Veterans' Services Commission. Seven members are appointed by the Governor. In addition, Senator Terry Care is appointed by the Senate, and Assemblywoman Kathy M. McClain is appointed by the Assembly.

CHAIR RAGGIO:

How active are the members of the advisory committees for the two cemeteries and the Services Commission?

MR. FULKERSON:

They are quite active. We meet quarterly, and I am in contact with most of them throughout that period. The Advisory Committee for a Veterans' Cemetery in Northern Nevada is quite active because we are trying to get the Department of Energy to turn a sandpit into a paved road. The Advisory Committee for a Veterans' Cemetery in Southern Nevada is also active working with the veterans in Las Vegas.

Regarding our source of funds, we get a little over 50 percent from the General Fund. We receive a \$300 burial plot reimbursement from the Department of Veterans' Affairs (VA) for each veteran's burial service. We charge \$300 for burial of a spouse. We charge a 5-percent fee on the income of each guardianship we manage. I have discretion to waive the fee under certain circumstances such as if it is low or the veteran has unusual expenses. Private donations to the cemeteries and revenue from the sale of 13 special license plates are distributed to the budgets for the two cemeteries and nursing home. We just finished a \$3.5 million expansion project that was federally funded. We added approximately 2,000 pre-buried double vaults in the ground, a 2,800-niche column barium wall, a 2,000 square foot administrative building and an 1,800 square foot maintenance building. The staff is still the same size

as it was when it opened in 1999, one. We are in the design phase of a \$5 million expansion project in Boulder City.

I would now like to paraphrase from a letter from the Director of the Department of Veterans' Affairs (DOVA) regional office in Reno ([Exhibit F](#)). The DOVA administers approximately \$200 million each year in disability compensation to veterans who suffer from service-related disabilities. Mr. Simmons is speaking in support of our request for more staff in order to provide better services. Veterans constitute 16 percent of the State's population, which is a ratio of one in six adults in Nevada. Only Alaska, with a 17-percent veteran population, has a higher percentage. Nevada's veteran population has grown by over 40 percent since 1990. The national veteran population has dropped by 9 percent.

CHAIR RAGGIO:

What is the total number of veterans now estimated to live in the State?

MR. FULKERSON:

We are tracking about 268,000 Nevada veterans. The DOVA's figures are lower. The number of Nevada veterans receiving disability benefits from the VA has increased by 33 percent in the last five years. A few members of our staff serve in the capacity of veteran service officer, a skilled position requiring an in-depth working knowledge of growing VA laws and regulations. They play a crucial role in claims processing, serving as the veteran's representative throughout the process.

CHAIR RAGGIO:

You presently have 25 full-time equivalencies in your office, and you have requested 14 new positions. Please elaborate.

ACE TAN (Administrative Services Officer, Office of Executive Director for Veterans' Services, Office of Veterans' Services):

We requested 14 additional positions to help us catch up with the current need and anticipated increase in demand for our services in the next two years.

CHAIR RAGGIO:

I am not clear regarding the items for special consideration. Who is here from the Budget Division? Was there an indication you may be reconsidering the merits of some of these new positions?

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

That is correct. We have had meetings with Mr. Fulkerson subsequent to putting the budget together, and we are in the process of providing a memorandum to the committees indicating the Governor is now recommending adding six positions to this budget. We will get that to you quickly.

CHAIR RAGGIO:

When you do that, we will have you return to address that recommendation.

MR. FULKERSON:

Yes, sir.

CHAIR RAGGIO:

Will that be helpful?

MR. FULKERSON:  
It certainly will.

I have one other letter from Ms. Teresa M. Sacks, project director at the Sanford Center for Aging ([Exhibit G](#)). She supports the additional service officers, and makes the point that 78 percent of surveyed participants, elderly people in Washoe County, were unaware of the non-service connected pension benefit available to them. Additionally, 89 percent of participants surveyed did not receive benefit information from the Department of Veterans' Affairs. This clearly points out we are not doing what we should be doing in outreach to the elderly veteran population of the State.

CHAIR RAGGIO:  
This morning the Budget Division indicated they are going to recommend six additional positions.

MR. FULKERSON:  
Yes, sir.

CHAIR RAGGIO:  
Does anyone wish to testify on this issue?

TIM TETZ (The American Legion Department of Nevada):  
I will read from prepared testimony titled Statement of Tim Tetz, the American Legion before the Nevada Senate Finance Committee, February 14, 2005 ([Exhibit H](#)), to address the additional six positions recommended by the Governor's Office, and to request an additional four service officers.

CHAIR RAGGIO:  
This budget will be heard again by the Subcommittee on Public Safety. The Subcommittee will consider these suggestions. In the meantime, we will get the augmented budget from the Budget Division.

SENATOR CEGAUSKE:  
My father was involved in the military in Mesa, Arizona, and he has been gone for 20 years. I remember going to the VA Hospital in Arizona, and the treatment my father received was incredible. I wonder, because you mentioned all the other facilities in other states, how Nevada's facility measures up to Arizona's facility. I am also familiar with Minnesota's facilities.

MR. TETZ:  
The veterans' organizations are proud of our facilities in Nevada, run by the VA. The Veterans' Hospital in Las Vegas will not be open for a few years, but we are excited about it. It is on a fast track. The northern Nevada hospital is always one of the favorites for dignitaries to visit among the Legionnaires because it is well run, and they have done a good job with the limited resources the VA receives. We are proud of all the opportunities we have within the State.

MR. FULKERSON:  
I would like to add that due to the relocations of facilities in southern Nevada, it takes a lot of perseverance and tenacity for veterans to obtain medical care. However, the staff continues to provide a high quality of care.

CHAIR RAGGIO:

You mentioned something about the roadway at the Fernley Cemetery. One of the detractors is the entrance to that cemetery. What is the proposal?

MR. FULKERSON:

Senator McGinness and Assemblyman Grady are on the Advisory Committee for a Veterans' Cemetery in Northern Nevada. They are working on this issue, along with Lyon County and the City of Fernley. We are working to get private donations to enable us to align and pave the road properly.

CHAIR RAGGIO:

The entrance to the cemetery is squalid, to say the least.

MR. FULKERSON:

Yes, sir.

CHAIR RAGGIO:

Is there any indication whether the proposed reductions in the federal budget on Veterans' Affairs will have an impact upon our budget situation?

MR. COMEAUX:

We do not have specific information, but we are looking at that. As you know, there are proposed cuts scattered throughout the submitted budget. Again, they are just proposals, but we will have to keep an eye on them. We have not done an analysis of the effect on Veterans' Affairs at this point.

CHAIR RAGGIO:

Can any of these roads be covered under the Statewide repaving projects?

MR. COMEAUX:

I do not know, but I will find out.

MR. FULKERSON:

That is one of the first things I checked into four years ago, and I was told by the State Public Works Board the only way they would touch it was if there was a safety issue. Currently, there have been no fatalities. Additionally, it is completely within the city confines of Fernley.

CHAIR RAGGIO:

You are asking for a General Fund appropriation. My question is whether that could be covered under the Statewide repaving project. We will ask the State Board of Public Works directly.

MR. TAN:

I checked with the Public Works Board regarding these repaving projects, and one is approximately \$10,000, the other is below \$10,000. The response I received was their threshold is \$25,000, and it would not be feasible for them to become involved in that project. We were advised to go ahead and contract the work.

CHAIR RAGGIO:

We will close the budget on the Commissioner for Veterans' Affairs and open the budget on the Veterans' Home account.



Veterans' Home Account – Page VETERANS-7  
Budget Account 101-2561

GARY BERMEOSOLO (Administrator, Nevada State Veterans' Home, Boulder City):  
As I complete my second full year, I am happy to report the home is on sound financial ground. Our leadership team remains in place, and our residence census continues to grow. Our typical resident is over 80 years of age, male and has served in one of five military branches during World War II or Korea. He knows he probably will not be returning home, and his final days will likely be spent at the Nevada State Veterans' Home. Because our home will probably be his last, we are responsible for enhancing the quality of his life during the time he spends with us. If we succeed, we will have realized our mission of caring for America's heroes. As you may recall, efforts to open our final wing were slowed by a lack of revenue and an inability to attract qualified long-term care professionals.

Last fall, the home was finally able to open its third and final nursing care wing. Admissions to the home were slow during the holidays, as you might expect. January and February are traditionally high-loss months for the nursing home industry, primarily due to post-holiday and winter depression. However, we have seen an increase in residence admissions, and our census has grown to 150. That leaves just 27 available beds that we expect to see occupied by year's end, and we currently have 58 applications in process.

CHAIR RAGGIO:

You have a total capacity of 177 beds, is that correct?

MR. BERMEOSOLO:

That is correct. We have 180 beds, but 3 of those are isolation beds which we cannot fill. I should point out that although we have not reached the census levels we originally projected, financially we are staying in the black and we expect to return money to the General Fund this year. We are staying solvent primarily because of the price increase we took in April of last year, and the fact we are bringing on staff incrementally as we build our residence census. Two other good things that have happened recently, VA increased its per diem to state homes from \$57.78 to \$59.36. Additionally, the National Association of State Veterans' Homes, of which we are a member, was successful in promoting federal legislation that exempts VA per diem payments from offsetting Medicaid payments.

Public Law 108-422 became effective on December 1, 2004, and will present an additional savings for our State. You will note we were able to reduce our request for General Funds by nearly \$1 million over the next biennium. As I mentioned previously, last April I had the unpleasant task of announcing a substantial increase in our nursing care charges. During that process, I made a commitment to residents and family members that we would try not to increase our rates again until the spring of 2006. With the home's improved financial condition and your support, it appears we will be able to keep that commitment. I might add that the *Las Vegas Review-Journal* recently reported the average daily cost of nursing care in Clark County has reached \$180 a day. Our Veterans' Home is charging nearly one-half of that, \$101 a day, which is a real bargain.

On a not-so-happy note, let me share that our good times could be rather short, and the Chair already mentioned this issue. President Bush's proposed budget cuts for next fiscal year include substantial cuts in federal grants-in-aid. One of the many programs President Bush is reviewing is the VA Homeless Providers Grant and Per Diem Program I just referenced. It is too early to tell if his proposals will be embraced by Congress, but we will be cautiously watching as his recommendations wind their way through the legislative process. Essentially he is recommending they start means testing per diem payments to State Veterans' Homes.

The home has made tremendous progress over the last couple of years. Much of that progress is attributed to the support of our Legislature. Last year you provided us with the authority to purchase 180 nursing beds to replace outdated and inadequate beds that were contributing to resident falls. I reported the old beds were prone to move when residents attempted to transfer in or out of those beds, causing the residents to lose their balance and fall. The new beds are now in place, they do not move, and we have seen a decline in resident falls. In fact, today when we have a resident who is prone to fall or roll out of bed, we simply lower this new bed to within 6 inches of the floor, and our concerns are mostly resolved.

As some of you know, we had difficulty getting rid of the old beds. It seems we did such a good job of documenting how dangerous they were, Risk Management attorneys worried that if we sold or gave them away, and someone was hurt using one, the State could be held liable. Consequently, Prison Industries took all of the beds to modify in such a way that it will make them safe. They will sell the modified beds to generate revenue.

I would be remiss if I did not ask for your support in another area, nursing salaries. The State salary schedule for nursing personnel has not kept up with the private sector. We are finding it increasingly difficult to attract qualified nurses. It kept us from opening our third wing as quickly as we wanted, and it is costing substantial sums of money in advertising, overtime and contract nurses. Even with competitive salaries, it will be difficult to attract quality nurses to Boulder City. Why would a nurse drive 40 to 60 miles every day to work in Boulder City when they can get a job closer to home in Las Vegas or Henderson? Believe me, they can find work closer to home. Last Sunday, the *Las Vegas Review-Journal* listed more than four full pages of help wanted advertisements for nurses. We ask for your assistance in supporting the Governor's recommendation to increase nursing salaries. Additionally, we ask that you look at creating additional incentives to attract more nurses to our State.

Lastly, I will address an area essential to running quality nursing homes—staff education and training. If we expect to provide excellent care to our residents, we must keep current with the ever-changing health care field. The nursing home industry is the most regulated service industry in the United States. I was told we have more people looking over our shoulder than the nuclear industry. We have Medicaid, Medicare, VA, Occupational Safety and Health Administration, Government Accountability Office, the U.S. Department of Labor, Office on Aging and many others, constantly inspecting, analyzing, surveying and monitoring us. Each of these regulatory agencies has a set of rigorous regulations. Medicare alone has over 160 care standards that must be met for every patient, every day of the year. They are constantly changing

those standards or adding more. Consequently, it is essential that every one of our team members become familiar with the plethora of regulations used to regulate us. That means training them in an ongoing and unrelenting fashion. We need to send our staff to seminars, purchase videos and books, develop conferencing tools and bring consultants into our facility to teach. That takes an investment of money, but the dividends are substantial, better patient care.

In this year's budget, we have included an education and training line item that is approximately 0.5 percent of our total budget. This is a small investment in our attempt to avoid noncompliance with regulations that could cost us as much as 50 percent of our budgeted revenue. We ask your assistance in adequately training our dedicated staff.

DARREL HANSEN (Administrative Services Officer, Nevada State Veterans' Home, Boulder City):

The staffing chart provided in [Exhibit E](#) shows the staff we have as of February 8, 2005. It demonstrates that we are adding people as we increase our census.

CHAIR RAGGIO:

You also have funding for contract nursing services. Is that in addition to the staffing here?

MR. HANSEN:

Yes, it is. When we have nurses who call in sick or are on vacation, we have to fill that spot. Whenever possible, we use overtime which is less expensive than contract services. However, there are times when we have to use contract services. The last few weeks we have had a lot of illness going through the home, including staff, and our contract staffing increased significantly for about a week. Contract staffing costs between \$55 and \$65 an hour.

CHAIR RAGGIO:

You are reclassifying a nurse to an administrative services officer. Is that your proposal?

MR. BERMEOLO:

I wish I had that to do over again. I need that position. I also need an assistant administrator for Mr. Fulkerson. In a facility of 180 beds, it is typical to have an assistant administrator. Mr. Fulkerson has a vested interest in seeing another person onboard who is trained and licensed so that if I get hit by a bus, he does not get caught in the same situation he was caught in a couple of years ago. He has requested I look at ways in which to get that assistant administrator on board. This is a supervisory nursing position. For us, it was not a question of which position we needed, but a question of which position we needed the most. If I had it to do over again, I would be asking for \$96,000 to fund the whole position. The director of nursing services was in last week lamenting the loss of that position. Previously, she had indicated she thought she could get by without it, but as our census builds, she sees she needs that position to work into the rotation for the house supervisor and nursing manager position.

CHAIR RAGGIO:

I am not suggesting we are ultimately going to be able to add a lot to the budget. You might want to review that, and revisit it when it goes before the subcommittee.

In the Capital Improvement Projects (CIP) there is a proposal to fund a new dining hall. What is the situation now? Are you contracting out the food services?

MR. BERMEOSOLO:

Yes, we are. We do have a kitchen and all the food is prepared on site. However, when they constructed the Veterans' Home, they constructed three 60-bed wings, and three 30-bed dining rooms, one on each wing. That created problems for us when we can only feed half our residents on each unit at a time. In order to alleviate that, we are currently feeding residents in nine different locations. I do not have the staff to provide a safe dining experience in nine different locations.

CHAIR RAGGIO:

How is that accomplished?

MR. BERMEOSOLO:

We currently feed in three mini dining rooms on each unit. We are feeding in the two living rooms on two of the units, and we are feeding in the Alzheimer's unit.

CHAIR RAGGIO:

You are feeding in nine different locations within your facility?

MR. BERMEOSOLO:

Yes.

CHAIR RAGGIO:

It is contract food?

MR. BERMEOSOLO:

Yes.

CHAIR RAGGIO:

When you complete the dining room, will you still be contracting out services?

MR. BERMEOSOLO:

We looked at the cost effectiveness of the contract. Currently, we are saving money by contracting it to the private sector. If that changes, we will be coming to you with a request to establish positions and take over that service.

SENATOR BEERS:

I heard the dining areas were constructed and designed to be able to hold the full wing, but some people arrive in wheelchairs, and the room cannot accommodate all of them. That is what cut the capacity in half. I want to ensure that as we look at the next construction project, we take that into account.

MR. BERMEOSOLO:

That is part of it. Additionally, they anticipated feeding a large number of people in their rooms. The problem with that is surveillance. People with swallowing disorders must be watched while eating; otherwise, it creates liability issues for the facility. In order to feed people in their rooms safely, you would have to

have a one-on-one situation. If they are all in one area, one aide can watch a number of people eat at one time. Whoever came up with that plan did not know much about running nursing homes. The new plan we are requesting would incorporate a dining room capable of holding 150 people. We could go to a tray line, cut the nine feeding areas to five and provide a much safer eating experience.

MR. FULKERSON:

When the overall size of the nursing home was cut by approximately 40,000 square feet, from 120,000 square feet to 82,000 square feet, because of cost constraints, a large area of the dining space was lost.

CHAIR RAGGIO:

We will close the hearing on the Veterans' Home Account budget and open the hearing on the budget for the Western Interstate Commission for Higher Education (WICHE).

Before we go to the WICHE budget, I asked staff to distribute a memorandum dated February 12, 2005 from Mr. Gary Ghiggeri, Senate Fiscal Analyst, concerning the Controller's debt collection ([Exhibit I](#)). This is the list of agencies where there is itemization of the debt that constitutes the amount of debt to collection indicated by the Controller's Office. If you look at the list, it raises the question of the collectibility of these debts. I will ask staff to contact these agencies and request they provide an evaluation as to collectibility. The first one, Taxation bankruptcy accounts, is \$28 million. These agencies should be required to give us their assessment of the collectibility of these amounts.

WICHE

W.I.C.H.E. Administration – Page WICHE-5 (Volume I)  
Budget Account 101-2995

RON W. SPARKS II (Executive Director, Western Interstate Commission for Higher Education [WICHE]):

The WICHE has changed from a program that only provided funds to Nevada residents to earn degrees in areas not offered by the State Higher Education System to a program in which we are now providing services to the underserved of the State. We have people in every area of the State providing services in dental care, optometry, physical therapy, pharmacy, physician assistant, nursing and mental health. The WICHE program is currently moving in a direction of change from a loan forgiveness program, giving money to students when they begin the program, to a program of loan repayment. The WICHE program no longer depends solely on General Fund and repayments. We now have the opportunity to work and collaborate with other agencies.

Requests for the budget are primarily a base and adjusted base only. There are two significant highlights I would like to discuss. First, we are requesting to continue the Volunteers in Service to America (VISTA) volunteer position in the Las Vegas area. This position is being shared with Great Basin Primary Care Association (GBPCA), and they are covering all of the costs. The request is for the position to be shared no longer, and the cost of the position to be assumed by WICHE. However, GBPCA will cover the overhead costs. In other words, the position will be housed at Great Basin, enabling us to avoid rent and overhead costs. The cost for this position is being absorbed within the current budget.

CHAIR RAGGIO:

What is the VISTA volunteer position?

MR. SPARKS:

The VISTA volunteer position gives us a presence in the Las Vegas area. It is through a federal program and is similar to the Peace Corps program. It is an excellent way to provide service to the Las Vegas area without having to place a position in Las Vegas.

CHAIR RAGGIO:

That position would be at the GBPCA.

MR. SPARKS:

It will be ours, but it will be housed within GBPCA's facility.

CHAIR RAGGIO:

What are the duties of this position?

MR. SPARKS:

The duties are to give us a presence to enable students in the Las Vegas area to contact the WICHE program. The individual would also attend meetings scheduled in the Las Vegas area and be our outreach representative.

CHAIR RAGGIO:

Why does the individual need a liquid crystal display projector?

MR. SPARKS:

That should be built into our presentation needs. As WICHE makes more presentations to different high schools and programs available to us through potential collaborations with hospitals, we would like to have the most current technology.

CHAIR RAGGIO:

Is that in addition to the one we funded previously?

MR. SPARKS:

We were never able to purchase that. We gave it back in budget cuts.

SENATOR BEERS:

This is quite a projector for \$6,000.

MR. SPARKS:

The recommendation was from DoIT. If you would like, we will review the cost.

SENATOR BEERS:

I would be curious about your calculation results. It would get you up to speed on big picture technology, and the projectors have come down radically in price. Could you check other sources for price and get back to us?

MR. SPARKS:

Yes, I will. The second highlight, not found in the budget request, but a one-time appropriation, is to upgrade our accounting software from a DOS-based to a Windows-based system. During a DoIT assessment of our

software, it was deemed we are at high risk with the current software package. The risk is for both our catastrophic operational failure and a potential security failure. We need to upgrade to Windows Visual FoxPro. The estimated cost over the biennium will be \$67,000.

SENATOR BEERS:

Typically, there is an ongoing maintenance cost tied into that.

MR. SPARKS:

We already have an ongoing maintenance cost built into our budget for our software.

SENATOR BEERS:

Is this an upgrade?

MR. SPARKS:

Yes.

SENATOR BEERS:

What software do you use?

MR. SPARKS:

We currently use DOS-based FoxPro.

SENATOR BEERS:

FoxPro is not accounting software.

MR. SPARKS:

No, it is not. It is tracking software.

SENATOR BEERS:

It is a database, and someone had to have written an accounting software program that sits on top of your FoxPro.

MR. SPARKS:

Correct, and that is part of the \$67,000 cost.

SENATOR BEERS:

What is the accounting software you use?

MR. SPARKS:

It was written by DoIT.

SENATOR BEERS:

Was it a home-written piece of software at a cost of \$67,000 to upgrade?

MR. SPARKS:

It is going to cost us \$67,000, yes, to rewrite the software into Visual FoxPro, as well as to purchase a server for security purposes.

SENATOR BEERS:

Had anyone at DoIT brought up the acronym COTS to you?



MR. SPARKS:  
They did not.

SENATOR BEERS:

It is an acronym for Commercial off the Shelf Software. That is often a better solution. Upgrade costs are shared with many users. Could you come back with research on what other State programs WICHE is using? Additionally, ask the DoIT employee why we are not using a COTS solution.

MR. SPARKS:

We conducted a study two years ago on our software. The recommendation was it would take \$500,000 to redo the entire accounting system. Because of the nature of the way we track and forgive money, we could not find an appropriate system. However, I will go back to DoIT and get additional information.

MR. SPARKS:

I want to discuss an issue regarding the fact our students are paying off their loans more quickly than we anticipated. I distributed a document titled Cash Receipts and General Fund Advance Worksheet, as of 2/10/2005, ([Exhibit J](#)) showing the current status of our account. It indicates the General Fund advance received this year was \$295,784.51. To date, to pay back that General Fund advance, we have collected \$285,722.15. We have almost paid off the General Fund advance approximately five months in advance of the anticipated payoff date. The reason for this is our repayments have become substantially higher. The next sheet titled WICHE Payoff Schedule FY 2004/2005 in [Exhibit J](#) shows some of our larger accounts being paid off. The good news is we will return almost \$100,000 we did not anticipate at the end of this fiscal year. The bad news is those funds are needed for cash flow purposes over the next five to ten years. We are requesting to increase our General Fund amount to offset funds we will not be collecting. At this time I do not have a figure; however, we will be working closely with the budget staff and the Legislative Counsel Bureau staff to determine what that figure is prior to the time we close this budget.

W.I.C.H.E. Loan and Stipend – Page WICHE-1  
Budget Account 614-2681

This budget is where all of our funds come in to be given back to the students and distributed throughout the schools. We were given two student slots for the dental loan repayment program in each year of the biennium. Unfortunately, in the first year of the biennium, we did not fill those slots. Due to issues of proper paperwork, site development and collaborations, it took a lot longer to build this program for new WICHE program students. During that process, we also lost the incumbent responsible for recruitment of those positions. We have now filled that position, and will fill the two student slots in FY 2005. We would like to use the funds we talked about reverting back to you and fund four, rather than two, positions. We have the collaborations built, have done the paperwork and resolved the legal issues involved in the collaboration between us and the National Health Service Corps.

SENATOR BEERS:

Would you prepare a brief scenario for this Committee for an alternative plan for your budget if the dental school were to close?

MR. SPARKS:

Yes, I will provide that to the Committee.

The next area is a request to move the mental health positions in the loan forgiveness program to the loan repayment program. Mental health positions are new to our program, and we have had difficulty recruiting. I have met with the Division of Mental Health and Developmental Services staff to discuss how we can do a better job. It was decided the best way was through the student loan repayment program. We will utilize our funding to recruit mental health workers by requiring a student accepting our education funds to work in State-run mental health clinics. Most likely, the vacancies will be revenue-producing positions for the State in rural Nevada. The areas will be those considered underserved. This will produce a savings to the State, because one-half of our cost will be covered by the National Health Service Corps.

The last area to highlight is the proposed matching program. It is a pilot program between the University Medical Center (UMC) and WICHE. The proposal will take five of our twenty nursing positions, designated under the loan forgiveness program, and move them into the loan repayment program. Students who accept funds will be required to commit to work at UMC. In exchange, UMC will commit to pay for one-half of the cost of the position. The proposal will not only be a cost savings, but will also guarantee for the first time, that WICHE nursing participants will be working in locations that provide care to the underserved. At this time, they are not required to work at underserved areas; they are only required to work at a location within the State. That is due to the great need for nurses all over the State.

SENATOR RHOADS:

Are your four veterinary WICHE vacancies filled?

MR. SPARKS:

Yes, they are.

SENATOR RHOADS:

I see that you requested five positions, but the Governor only gave you four.

MR. SPARKS:

During the budget process, it was recommended we ask for a fifth position. We have an applicant pool that would support a fifth position. However, in order to fit within the "two times" budget rules, it was recommended we not continue with that request.

SENATOR RHOADS:

Is there a demand for more veterinarians?

MR. SPARKS:

There certainly is.

SENATOR RHOADS:

Are they going to the urban areas after they graduate?

MR. SPARKS:

We have them all over the State. Many are working in large animal practices.

SENATOR RHOADS:

The fifth position cost \$24,000. Is that correct?

MR. SPARKS:

Yes, \$24,000 in the first year and \$50,000 the second year.

SENATOR RHOADS:

Could you supply us with information regarding the demand?

MR. SPARKS:

Yes, I will.

SENATOR COFFIN:

I have two questions; one is regarding the pharmacy positions. We have a good pharmacy college in southern Nevada. Why would we want to put money into pharmacy studies outside the State?

MR. SPARKS:

Currently, we work with accredited programs, and I understand the pharmacy college in southern Nevada is now accredited. However, it is not under our WICHE list of schools through our regional program. If we added it, it would have to be added as a special site in Nevada only. Additionally, we are still funding out-of-State because we still have a large need in the underserved areas. I believe it is a private school, is it not?

SENATOR COFFIN:

It is a private school producing licensed pharmacists. I do not understand why WICHE cannot change its program.

MR. SPARKS:

We will review that, but at this time, it is the recommendation of our commission to work with the programs within our regional collaboration.

SENATOR COFFIN:

My other question is regarding the teaching positions. How many have we had before?

MR. SPARKS:

With regard to the teacher proposal, I did not want to bring it up because it is going to be addressed in a bill format. It was a recommendation by the Interim Legislative Committee on Education to fund five positions. We would require the individuals who receive our funds to teach at at-risk schools or in hard-to-recruit subjects. It will be five positions in FY 2006 and ten in FY 2007. This will help improve the process of getting teachers into rural and underserved areas of the State.

CHAIR RAGGIO:

I will entertain a motion for introduction of a BDR to allocate \$200,000 to the Cowboy Poetry gathering in Elko. The funding will go to the Western Folk Life Center. Speaker Perkins indicated a desire to support this measure in the other House.

SENATOR RHOADS MOVED FOR COMMITTEE INTRODUCTION OF A BDR TO ALLOCATE \$200,000 TO THE WESTERN FOLK LIFE CENTER FOR THE COWBOY POETRY GATHERING IN ELKO.

SENATOR MATHEWS SECONDED THE MOTION.

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

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SENATOR RHOADS MOVED FOR COMMITTEE INTRODUCTION OF A BDR FOR CONSTRUCTION OF A \$2.3 MILLION JUVENILE DETENTION FACILITY IN ELY.

CHAIR RAGGIO:  
Is that a capital improvement program (CIP)?

SENATOR RHOADS:  
Yes. It has been on the drawing board for ten years.

CHAIR RAGGIO:  
Then it will have to go into the CIP budget.

SENATOR MATHEWS SECONDED THE MOTION.

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

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CHAIR RAGGIO:  
There being no further business to discuss at this time, the Committee is adjourned at 10:30 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Jo Greenslate,  
Committee Secretary

APPROVED BY:

\_\_\_\_\_  
Senator William J. Raggio, Chair

DATE: \_\_\_\_\_