

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session
March 23, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 9:30 a.m. on Wednesday, March 23, 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

GUEST LEGISLATORS PRESENT:

Senator Steven A. Horsford, Clark County Senatorial District No. 4

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Carol Simnad, Committee Secretary

OTHERS PRESENT:

Gustavo Nunez, Deputy Manager, Professional Services, State Public Works Board
Bruce Bommarito, Executive Director, Commission on Tourism
Joseph Guild, Elko County
Doug Bierman, Lander County, Lincoln County, City of Caliente
Jo-an Barnett, Economic Development Director, Lander County
Russell Rowe, Nevada Development Authority
Berlyn Miller, Vice Chairman, Commission on Economic Development
Nancy J. Howard, Nevada League of Cities
Steve K. Walker, Douglas County
Shelly Hartmann, Executive Director, Economic Development Authority, Mineral County
Sabra Smith-Newby, City of Las Vegas

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CHAIR RAGGIO:

We will now accept testimony on Assembly Bill (A.B.) 204.

ASSEMBLY BILL 204 (1st Reprint): Authorizes and provides funding for certain projects of capital improvement. (BDR S-1392)

Was the funding for the exterior retiling project of the Grant Sawyer State Office Building in Las Vegas removed from A.B. 204?

GUSTAVO NUNEZ (Deputy Manager, Professional Services, State Public Works Board):

Yes, that is correct. With respect to the tile repairs at the Grant Sawyer Building in Las Vegas, since it was deleted from A.B. 204, we went back and looked at the project schedule. We have lost our window of opportunity to install the tile. Testing of the products and process is proceeding, and following that we will do a demonstration. We are expecting to complete the demonstration of the new tiling by early summer. At that point, the hot weather will be a problem as it will not be conducive to the installation of the tile. We will have to wait until the fall for the completion of this project. Due to the delayed completion, we are in favor of A.B. 204 the way it is now written.

CHAIR RAGGIO:

This project has taken a long time. It was hoped that the tiling would be complete by now. There will be significant cost involved with this delay such as taking the scaffolding down and putting it back up again. Are you saying now that this project cannot be completed within the original time estimate due to the hot weather?

MR. NUNEZ:

Yes, the schedule had to be delayed due to lack of immediate funding.

CHAIR RAGGIO:

Assembly Bill 204 will address early funding for the state computer facility, design and construction of the 40-bed addition to the 150-bed psychiatric hospital in Las Vegas, and the augmented funding for the State Emergency Operation Center construction. Are there any changes in these three requests?

MR. NUNEZ:

There are no changes in these three projects.

CHAIR RAGGIO:

What is the Committee's decision on A.B. 204?

SENATOR BEERS MOVED TO DO PASS A.B. 204.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

We will now discuss the budget for the Department of Tourism.

ECONOMIC DEVELOPMENT AND TOURISM

Commission on Tourism – Budget Page ECON DEV & TOURISM-21 (Volume II)
Budget Account 225-1522

BRUCE BOMMARITO (Executive Director, Commission on Tourism):

I will summarize our latest data of the income and expenses for our department. Our handout, Room Tax Receipts by Fiscal Year ([Exhibit C](#)), is a compilation of our industry partners' forecasts. In these projections you will see: room tax increases forecasted, room occupancies and room nights occupied. Room inventory is an important part of our calculations. We calculate the forecasted rooms coming online during the fiscal period of study. We are showing, for the completion of fiscal year (FY) 2005, an approximate 11.5-percent increase over FY 2004. Most of this increase was in room rates. We are showing in FY 2006 a 7-percent increase over FY 2005. You will see an 8-percent increase in FY 2007 over FY 2006. Overall there is an approximate \$3.8 million increase for the biennium.

We recently broke the 50 million tourist mark for the first time, with \$40 billion in income. However, our competing states continue to be extremely aggressive. Arizona, for example, has added \$6 million a year to their tourism budget. Oregon has added \$7.5 million a year to their tourism budget. Tourism is either the number one, two or three industry in every state in the country. Everything we do is to generate revenue for Nevada. We do this by staying ahead of the marketplace, using customer education at all levels both externally and internally. We tie together all the state's efforts as the only entity that represents the entire State of Nevada. We generate advertising and media impressions. Impressions are the responses we obtain from individuals viewing our advertisements. That is the starting point for our evaluation and return on investment equations. Our paid impressions totaled \$419 million during calendar year 2004. We distributed over one million pieces of advertising information. The responses to this advertising information totaled approximately \$22 million.

We organized our department into five divisions: marketing, advertising and media, education, publications and administration. This is how we break down our work assignments and our return on investment analyses.

The marketing division looks at domestic and international tourism. We participated in domestic and international trade shows and disseminated all of our leads from them to our divisions throughout Nevada. An example of our international marketing can be seen on page 13 of *Nevada WIDE OPEN* ([Exhibit D](#), original on file at the Research Library). One-half of the advertisement is in Chinese and one-half is in English. We shared our booth in China with the U.S. Department of Commerce and the Travel Industry of America. These two agencies do not have the same license we do and did not have the ability to set up a booth at the tourism trade show in China. On page 14 of [Exhibit D](#) is the picture of the international tourism license we have with China.

Internationally, we share offices with the United Kingdom, Japan and South Korea. We alone maintain the office in China. We are requesting to participate more with Mexico as market research shows this is a growing market.

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CHAIR RAGGIO:

How are you funding the office in China?

MR. BOMMARITO:

We are funding the office in China from our existing dollars. It is a relatively small amount because of the low cost of doing business in China. We are also granted marketing dollars through the Interim Finance Committee.

SENATOR RHOADS:

Why are we the only state to have a license to market tourism in China?

MR. BOMMARITO:

The license we have has been granted to 12 countries. We have informed the Chinese Central Government that because the United States does not have a national tourism department, they could grant that license to Nevada. This license allows us to do media advertisements, maintain a Web site and do many things in China we could not do without that license. Our goal is to make sure that 1.4 billion people in China know about Nevada.

SENATOR BEERS:

How can we measure the success of Nevada's tourism office in China?

MR. BOMMARITO:

We measure the success of our tourism efforts in China in many ways. There were 250,000 visas granted to Chinese citizens for travel to the United States. The U.S. Department of Commerce tells us that individuals from China are the highest-spending tourists that come to our country and they spend approximately \$5,200 per person each visit. In addition, the Chinese government reports that 93 percent of the Chinese that come to the United States visit Nevada. The Chinese government and the United States government have reached an agreement to increase flights to China. We are now working to obtain permission for some of those flights to come directly to Nevada. This week a Memorandum of Understanding was signed between the United States and China to expedite the visa process.

The recreational vehicle (RV) market is an important market. It is congruent with our adventure campaign. Recreational vehicles are more than motor homes. They are motorcycles, dirt bikes, off-road vehicles and snowmobiles. We have recently expanded this area into geocaching. Geocaching is a sport based on the satellite-driven devices in cars. Many people take their vacation trying to find spots, and win prizes, by using these global positioning satellite units in their cars. There is a small treasure chest in the front of our office building that geocashers can find and win a small prize.

Within the sports marketing area, Nevada has become a major destination for golfers. We have 120 golf courses in the state. Skiing, hiking and biking are all areas that we are emphasizing in our adventure campaign. Recently, the Tahoe ski areas were rated one of the top five in the world compared to such countries as Austria and Switzerland. Sports marketing is one of our important areas of emphasis.

Page 18 of [Exhibit D](#) is an example of our magazine advertisements. Recently, we have taken money from the magazine advertisements and put it into television (TV) advertising. This is an example of our "wide open" campaign. It

is driven by action imagery. In our advertising you will not see many pretty pictures. Our focus for this campaign is to show people doing recreational activities. Our consumer responses to this campaign are significantly higher compared to other programs.

CHAIR RAGGIO:

We will interrupt the hearing on the Tourism budget.

The Committee has been asked to introduce a bill draft request (BDR) for the appropriation of \$300,000 from the General Fund to the University of Nevada School of Medicine for the continuation of the Pediatric Dentistry Residency Program.

SENATOR COFFIN MOVED TO INTRODUCE A BILL DRAFT REQUEST TO APPROPRIATE \$300,000 FROM THE GENERAL FUND TO THE UNIVERSITY OF NEVADA SCHOOL OF MEDICINE FOR THE CONTINUATION OF THE PEDIATRIC DENTISTRY RESIDENCY PROGRAM.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY

CHAIR RAGGIO:

The Nevada Association of School Boards has requested the Committee introduce a bill draft request requiring the Superintendent of Public Instruction to prepare a compilation of certain information for inclusion in the biennial budgetary request for the Distributive School Account, and that a certain percentage of the ending fund balance in a school district's General Fund may not be used to increase salaries or pay benefits.

SENATOR CEGAVSKE MOVED TO INTRODUCE A BILL DRAFT REQUEST TO REVISE PROVISIONS GOVERNING EDUCATION AND MAKE APPROPRIATIONS FOR EDUCATION.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

MR. BOMMARITO:

I will continue with the review of the Commission on Tourism's budget. Our print advertisements have focused on rural Nevada. In the past our grant program has assisted in rural Nevada advertising. Lately we have combined our advertisements (ads) and negotiated to almost one-half the price for rural Nevada to participate in our ads. This revision of our advertising program has been successful.

CHAIR RAGGIO:

Please work with our Fiscal staff before closure of these budgets. The issues we are concerned about are the revised amounts especially in regard to the

room taxes. We will need a revision of the budgets that are before us. You will need to justify these increased amounts.

Please focus the remainder of your presentation on the following areas. Are you requesting two new positions, and are they related to the design of the Web site?

Would you be able to transfer postage costs to a separate category because it will exceed 65 percent of your operating category in both years of the biennium? It will be easier to track as a separate expense.

On your contracts with vendors, we do not have sufficient detail to justify some of the large expenditures. Our Fiscal staff needs to know how you determine the amounts of these contracts.

When was your office established in Mexico?

MR. BOMMARITO:
The office in Mexico began in June 2004.

CHAIR RAGGIO:
Were funds from the private sector used in the establishment of the Mexico office?

MR. BOMMARITO:
Private sector funds were not used in the establishment of our office in Mexico. It is funded entirely by the state.

CHAIR RAGGIO:
Your funding request for the Reno-Tahoe Winter Games needs to be reviewed by our Fiscal staff.

On your tourism development budget, you need to differentiate between the purposes of that funding and what is funded from S.B. 158. We need to know if there is a correlation.

SENATE BILL 158: Establishes fund to provide grants for economic development in rural areas and blighted areas of larger counties. (BDR 18-1140)

We need to review the grants that you have made for tourism to the various counties.

What is happening on the V and T Railroad project?

MR. BOMMARITO:
The V and T Railroad project is progressing nicely. Although we have several funding sources, they still need \$19 million to complete the project.

E-175 Increase Non-Gaming Business – Page ECON DEV & TOURISM-25

In decision unit E-175 we are requesting approximately \$1,250,000 each year of the biennium for TV advertising. This type of advertising is critical. We took \$500,000, during the course of the last budget cycle, out of our print advertising budget and put it toward the TV ads. The results have been good.

We track every TV advertisement daily. On page 26 of [Exhibit D](#) you will see an example of our tracking data. These graphs show responses from all of the advertising media. We currently advertise on a national cable station with adventure-based ads. As you can see, our responses have greatly increased. Approximately 100 percent of the money we spend on the contracts with the ad agencies goes directly through to the market. There is no additional production expense except to produce the ads which we would have done anyway. Every dollar we spend after initial production goes directly to the customer.

CHAIR RAGGIO:
Who determines the markets?

MR. BOMMARITO:
We go by the advice of the ad agency, but we also monitor the responses daily to see which markets are responding.

Internet advertising is a new and cost-effective product. These are not the pop-up ads that appear on your computer screen. These are directed to people that we send a full ad to that have expressed interest in that area. We get many leads for a reasonable price. It is a guaranteed return on investment. This is a good tracking tool since we know exactly how much we pay for each lead.

In order to initiate TV ads and to expand the print ads, we have had to go through a period with no advertising. Recently, when we did not have money for our TV ads, the company that tracks these for us told us that our responses stopped simultaneously to the cessation of the TV ads, showing what a tremendous effect these ads have on the viewers. Fifty-two percent of the people who claim to see our ads will verify that their decision was impacted by the ad they saw. Every one of these ads has a profound impact on revenue to the state.

Our research has shown that approximately 20 million people plan their trips within two weeks of when they decide to depart. Due to this research, we have replaced our bulk mail postage system, which took anywhere from four to six weeks for arrival, to a postage system taking only two to ten days for arrival. This change has increased our positive tourist responses from 17 to 60 percent.

CHAIR RAGGIO:
Do you have a quick turnaround time on information requests?

MR. BOMMARITO:
We do have a quick response time.

We have saved a great deal of money on our territory brochures by using a template. However, due to the attractiveness of these brochures, people want more of them so our production cost has increased. What we used to spend for the whole year is now being spent in about five months. We try to direct our customers to the Internet, but many people still want a paper copy of an ad.

Our media relations department generated \$22 million of free media in 2004. We have tracked all of the information that was sent out and found if we had purchased this, we would have spent \$22 million. We generated this with one administrative person and one clerical person. We are requesting another

position in this department. We have calculated that this new position will generate another \$8 million of free media.

The second position we are requesting is for the accounting division at the clerical level. We run a parallel accounting system to the state's system. The reason for our parallel statistics is to focus on our department's return on investment and budgetary needs. The state's system is broad. In our accounting system every employee has to compile a return on investment report for all of their activities such as trade shows. With this information, we are able to track all of our costs and the state's accounting system does not allow us to do that. This parallel accounting system allows us to make informed decisions and save money in the long run. We also do the Lieutenant Governor's accounting out of our office. Initially, this was a temporary addition to our accounting duties; however, we now think this will be a permanent addition.

SENATOR BEERS:

The Department of Administration recommended this budget fund an enhancement to the integrated financial system to allow cross-fiscal year tracking on job costs. This may alleviate your burden.

MR. BOMMARITO:

Tracking on the costs is good, but we have to allocate in advance and budget accordingly.

The rest of the increases we are requesting are summarized by the Internet. Our Internet usage continues to grow. We do lag behind. We want to translate our Web sites into six languages due to our world market. We want to convert all of our printed materials to the Internet. The Visitor's Guide and the Adventure Guide are on the Internet now. It would be more cost-effective if we could get more of our publications on the Internet. It will cost an estimated \$137,000 to do this conversion.

CHAIR RAGGIO:

Do you still provide the accounting services to the Lieutenant Governor's office?

MR. BOMMARITO:

Yes, we still provide that service to the Lieutenant Governor's office.

Our rural Nevada areas do not have the ability to take reservations on the Internet. It is critical that these areas have that availability in the future. This process cannot be completed unless it is handled by the Commission on Tourism. We want to enhance our Web site to the extent that anyone can go to it and see, understand and book at any tourist attraction in Nevada. This is a two-year project.

CHAIR RAGGIO:

On the rural grants program, the Governor is recommending \$250,000 now and \$500,000 in 2007. This is a matching grant. The request has exceeded the available funding by 50 percent. Why are we not recommending additional funding for this program?

MR. BOMMARITO:

The \$250,000 and the \$500,000 requests from the Governor are related to the Internet enhancement of the rural areas so they can provide reservations.

CHAIR RAGGIO:

What is the status of the Reno-Tahoe Winter Games? The Governor is recommending \$75,000 each year of the biennium. Our Committee would like you to work with the Governor's Office to achieve this objective.

MR. BOMMARITO:

I sit on the board for the establishment of the winter games. Several million dollars are needed for this project. Our planning is ongoing.

CHAIR RAGGIO:

We will now continue the hearing on S.B. 158.

SENATOR TITUS:

This is a bill I have sponsored. This bill is to create a \$10 million trust fund under the Commission on Economic Development to be distributed to local governments in rural Nevada and in blighted areas for support of economic development programs. This is not the same \$10 million the Governor wants to give to the two development agencies. That is administrative and marketing money. This is funding that goes into direct transfer payments as grants to local governments for specific projects. The basis for this bill was the cultural fund. When you want to restore buildings or other cultural projects, you go directly to that commission rather than coming in one project at a time to the Legislature for the financing. It gives more stability to the funding, more ability to plan and to get matching private source funds. It is a good proposal and widely supported. I would like to briefly summarize the document of the suggested amendments to S.B. 158 that is before you ([Exhibit E](#)).

The bill sets up a provision that says the Lieutenant Governor will be responsible for these funds. The recommendation in the amendment is that the Commission on Economic Development will handle these funds. The original bill also stated that the funding can go to private agencies or public entities. The Nevada Constitution will not let the state invest in private entities, so we need to change the wording to say private nonprofit entities. In section 3 of [Exhibit E](#), language is added to expand the rural grant areas even in counties with big urban centers such as Mesquite in Clark County. I would like to add one more amendment which has not been previously stipulated. The change would state that the grants would be paid according to a formula. The formula would state that at least 75 percent goes to the rural areas and up to 25 percent would go to the blighted urban areas. I have done this because, with the money that the Governor has put in the two development agencies, most of their emphasis is already on urban Nevada. This amendment would guarantee the emphasis for this funding would be rural Nevada.

CHAIR RAGGIO:

We need a written amendment that includes all of the changes you have just described.

SENATOR TITUS:

I will be happy to create that and give it to the Committee.

SENATOR STEVEN A. HORSFORD (Clark County Senatorial District No. 4):

Senate Bill 158 is a forward-thinking bill that attempts to address the needs of both rural and urban-blighted communities. Many of these communities are struggling to attract and maintain business and industry as well as other

economic resources that provide for a good quality of life. There is a similarity in the needs of rural and urban areas that have urban blight. For example, the bill in section 4, subsections 1 through 9, indicates the characteristics that define blight. These are some of the same challenges experienced in many of the rural communities. These definitions include defective design, economic deterioration, existence of inadequate streets, prevalence of depreciated values, impaired investments, and social and economic maladjustment. These are issues that have to be addressed, as a state, to improve all of our communities. By creating this fund, local agencies, minority- and women-owned businesses and small enterprises with a desire to expand or locate in these communities will have a greater ability to do so. By putting resources into communities that need it most, you change the dynamic that is taking place and you replace it with a comprehensive plan to address the residential, commercial and governmental needs of any community. I urge your support of S.B. 158. I am in agreement with the amendments that have been proposed.

CHAIR RAGGIO:

On page 3 of the bill, blighted area would only be defined in a county of 100,000 or more. Can you have blighted areas in all counties?

SENATOR TITUS:

That is correct. I have changed the definition in the suggested amendments to state that blighted should mean blighted wherever it occurs in urban or rural areas.

JOSEPH GUILD (Elko County):

I have a letter in support of S.B. 158 from the Elko County Board of County Commissioners ([Exhibit F](#)). We thank Senator Titus for sponsoring this bill. It will help all of rural Nevada.

DOUG BIERMAN (Lander County, Lincoln County and City of Caliente):

You have before you the points I would like to discuss today ([Exhibit G](#)). Before I proceed, I would like to introduce Ms. Jo-an Barnett, who is the Economic Development Director for Lander County.

MS. JO-AN BARNETT (Economic Development Director, Lander County):

I would like to present a letter from the Lander County Board of Commissioners in support of S.B. 158 ([Exhibit H](#)).

CHAIR RAGGIO:

Do you understand the amendments to this bill we have discussed?

MS. BARNETT:

Yes, we do. We particularly want to support the spending amendment with 75 percent of the funds to rural areas and 25 percent of the money to the urban areas. Also we support the change in the definition of blight as in any population not just those above 100,000. As you are aware Battle Mountain is suffering from blight due to the mine closings. We are trying to diversify the economy in this area and this funding will help us.

MR. BIERMAN:

Funding made available by S.B. 158 will enable Lander County, Lincoln County, and the City of Caliente to compete for state funding to pursue needed downtown revitalization, complete engineering and construction of one industrial park in each area, develop and implement targeted businesses and industry attraction campaigns. These projects total \$4 million. [Exhibit G](#) shows the projects that Lander County, Lincoln County, and the City of Caliente have completed recently. This is to give you an idea of what can be accomplished with the extra funding from S.B. 158.

RUSSELL ROWE (Nevada Development Authority):

We support S.B. 158, in particular the emphasis on rural Nevada. This bill will also give Nevada Development Authority (NDA) the authority to work in the urban blighted areas.

BERLYN MILLER (Vice Chairman, Commission on Economic Development):

The Commission on Economic Development has taken no position on S. B 158. I want to state that the \$10 million funding in this bill will be separate from the \$10 million already in our budget.

NANCY J. HOWARD (Nevada League of Cities):

We support S.B. 158.

STEVE K. WALKER (Douglas County):

We support S.B. 158 and all the amendments.

SHELLY HARTMANN (Executive Director, Economic Development Authority, Mineral County):

We are encouraged with S.B. 158. This funding will help us with the blight problems we have due to the unexpected explosive growth. Mineral County's infrastructure has not kept up with the growth.

We have 300 jobs coming in the near future to Mineral County and another 300 jobs on the way. The funding from this bill will help us maintain and improve the economic structure of our county.

SENATOR BEERS:

From where are the 300 jobs coming?

MS. HARTMANN:

The High Desert Special Operations Center has moved to Mineral County. This is a private military training group based in Minden and Hawthorne, Nevada. Sky View Academy is also under construction and will employ 150 people. This is a private school for at-risk youth. We also have a marble mine and a gold mine opening soon in our county.

SABRA SMITH-NEWBY (City of Las Vegas):

We are here to support S.B. 158.

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CHAIR RAGGIO:
There being no further business, the meeting is adjourned at 10:21 a.m.

RESPECTFULLY SUBMITTED:

Carol Simnad,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____