

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT**

**Seventy-Fourth Session
April 24, 2007**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government was called to order by Chair Kathy McClain at 8:00 a.m., on Tuesday, April 24, 2007, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Kathy McClain, Chair
Assemblyman Tom Grady
Assemblyman Joseph P. (Joe) Hardy
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblyman David R. Parks

SENATE COMMITTEE MEMBERS PRESENT:

Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads

COMMITTEE MEMBERS ABSENT:

Senator Bob Coffin

STAFF MEMBERS PRESENT:

Steve Abba, Principal Deputy Fiscal Analyst
Larry Peri, Principal Deputy Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Sarah Coffman, Program Analyst
Rick Combs, Program Analyst
Linda Blevins, Committee Secretary
Patti Adams, Committee Assistant

Chairwoman McClain called the meeting to order noting a quorum was not present for the Senate. Chairwoman McClain requested that Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), begin the budget presentation.



DEPARTMENT OF AGRICULTURE

BUDGET CLOSINGS

ADMINISTRATION, BA 4554

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4554. Ms. Coffman noted one major closing issue within this budget account was changes to the cost allocation plan. During the March 13, 2007, hearing, the Subcommittee pointed out a number of discrepancies in the Department of Agriculture's cost allocation plan. The Department presented a revised cost allocation plan to the Subcommittee on March 22, 2007, in which the Department indicated the following changes were made:

1. All Attorney General (AG) Cost Allocation Assessments, Purchasing Assessments, and Statewide Cost Allocation Assessments (SWCAP) were relocated from the supporting accounts to the Administration account, with corresponding cost allocations charged to the supporting accounts based on the number of full-time equivalent (FTE) positions.
2. All rent, utilities and property, and content insurance expenditures were transferred to the Administration account, with corresponding cost allocation charges to the supporting accounts based on square footage.
3. Decision units M800 and E800 were eliminated from the Administration account. The noncost allocation adjustments in decision unit M800 of the supporting accounts were eliminated. The maximum amount of indirect cost recovery for federal funds was transferred to the Administration account.

According to Ms. Coffman, to incorporate the various cost allocation revisions into the Department's budget, staff requested the Budget Division submit an electronic transmittal of the data for all of the Department's budgets.

At the March 22, 2007, hearing the Subcommittee voiced concerns regarding the Department's revenue projections. As a result, three of the agencies, Weights and Measures, Livestock Inspection Account, and Plant Industry, revised their projections.

Ms. Coffman pointed out that [Exhibit C](#) was a summary of the revised Governor's recommended budget compared to The Executive Budget. There was a \$100,247 General Fund savings in fiscal year (FY) 2008 and a \$225,935 General Fund savings in FY 2009. These revisions included savings which would be discussed in the Plant Industry Division closing documents.

Ms. Coffman advised the Subcommittee that the overall funding for the Department increased by \$491,994 in FY 2008 and \$833,976 in FY 2009. This increase was primarily because of revised revenue projections. Various cost allocations originally in the expenditure categories of the supporting accounts were relocated into the revenue section of the Administration Account.

Ms. Coffman continued the overview stating that the Department's revised cost allocation plan and various revenue and expenditure modifications appeared reasonable to staff. Fiscal staff requested the authority to make technical adjustments for the final cost allocation.

Chairwoman McClain advised the Subcommittee that although there was not a quorum present for the Senate, the Assembly would consider the measure.

ASSEMBLYMAN HARDY MOVED THAT THE SUBCOMMITTEE:

1. APPROVE BUDGET AMENDMENT NUMBER 113 WHICH RECOMMENDED AN INCREASE OF \$14,403 IN FY 2007-08 FOR RENTAL EXPENDITURES.
2. ACCEPT STAFF RECOMMENDATIONS.
3. GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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GAS POLLUTION STANDARDS, BA 4537

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4537. There was one major closing issue in the budget account. The agency was requesting \$120,000 for two gas chromatographs. The Subcommittee had expressed concerns at the March 22, 2007, hearing regarding the volume of testing that would be completed on various alternative fuels, since Nevada had only 1,159 alternative fuel vehicles registered statewide. The agency had indicated it could outsource the testing of alternative fuels to a third party at a cost of \$275 per test. The agency was unable to provide an estimate of the required number of tests. According to the U.S. Department of Energy's website, Nevada had 78 alternative fuel stations throughout the State.

Ms. Coffman noted staff had provided several options for the Subcommittee to consider. The three options were:

1. Approve the two new gas chromatographs as recommended by the Governor.
2. Approve only one gas chromatograph for southern Nevada and provide funding in the amount of \$7,700 each year for a third party to test alternative fuels in northern Nevada.
3. Defer the purchase of the two gas chromatographs until demand for alternative fuel testing increased enough to justify the cost of the new equipment. In the meantime, the Subcommittee might consider approving \$17,325 each year of the 2007-09 biennium for a third party to test alternative fuels statewide.

Under other closing items, Ms. Coffman noted:

1. Decision unit E500 reduced the amount of funds transferred from the Department of Motor Vehicles (DMV) to the Gas Pollution account by \$211,060 in the 2007-09 biennium.
2. Decision unit E710 recommended fund transfers from DMV Pollution Control of \$80,000 in FY 2008-09 to replace one antiknock index analyzer for the Las Vegas laboratory and one octane screen analyzer for the Sparks laboratory.

3. Decision unit E711 recommended a fund transfer of \$7,466 from DMV Pollution Control in the 2007-09 biennium to purchase two laptop computers with docking stations.

According to Ms. Coffman, all other closing items appeared reasonable.

ASSEMBLYWOMAN KOIVISTO MOVED THAT THE SUBCOMMITTEE ACCEPT STAFF RECOMMENDATIONS AND DEFER THE PURCHASE OF THE TWO GAS CHROMATOGRAPHS UNTIL DEMAND FOR ALTERNATIVE FUEL TESTING INCREASED ENOUGH TO JUSTIFY THE COST OF THE NEW EQUIPMENT.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

Assemblyman Hardy questioned whether the motion would approve the \$17,325 each year of the 2007-09 biennium for a third party to test alternative fuels statewide. Chairwoman McClain confirmed that was a part of the motion.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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PLANT INDUSTRY, BA 4540

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4540. There were two major closing issues within the budget account.

The first major closing issue described by Ms. Coffman was the revision to projected revenue. According to Ms. Coffman, The Executive Budget revenue projections did not correlate with historical trends. The agency submitted a modified projection which increased the non-General Fund fee revenue by \$23,251 in fiscal year (FY) 2008 and \$86,140 in FY 2009. The methodology the agency used appeared reasonable to staff. The FY 2007 revenue sources were annualized. The agency applied a five-year annual growth rate to the revenue sources to generate revised amounts for FY 2008-09. The Subcommittee might want to approve the agency's revised revenue projections which would increase the non-General Fund revenues by \$23,251 in FY 2008 and \$86,140 in FY 2009.

Ms. Coffman continued with the second major closing issue of deferred maintenance and construction projects. The Governor had recommended General Fund appropriations of \$159,026 in FY 2007-08 for deferred maintenance and construction projects. The Public Works Board indicated that the 14 projects recommended would cost \$150,080 in FY 2007-08. The agency's revised budget incorporated a correction to reduce the amount requested from \$159,026 to \$150,080. The recommendation appeared reasonable to staff.

Decision unit E350 requested funding for printing 10,000 agriculture enforcement brochures and for sending four enforcement officers each quarter to attend two-day meetings with the California Rural Crime Prevention Task Force. Ms. Coffman advised that the meetings appeared to be conducive to the agency's overall mission.

It was also noted that decision unit E812 requested a three-grade pay increase for five sworn peace officers within the Plant Industry Division. The Subcommittee might consider the approval of the salary adjustments for the Plant Industry Division's sworn peace officers in conjunction with all other agencies that have included recommendations for the sworn peace officer salary adjustments in their respective budget accounts. Fiscal staff requested authority to make necessary adjustments based upon the final decision of the money committees.

ASSEMBLYMAN HARDY MOVED TO CLOSE BA 4540 AND TO ACCEPT STAFF RECOMMENDATIONS FOR REVENUES AND OTHER CLOSING ITEMS, EXCLUDING DECISION UNIT E812, AND GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

Ms. Coffman clarified that the approval of closing items included moving the agriculturist 4 position from fee-funded to General Funded. There was no impact on the General Fund. Chairwoman McClain confirmed that item was included in the motion.

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GRADE AND IDENTIFICATION OF AGRICULTURAL PRODUCTS, BA 4541

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4541. The Governor recommended funding for inflation, cost of living, and fringe rate adjustments for this budget account. The account was revised to reflect the Department's cost allocation plan. Staff recommended the account be closed as revised.

ASSEMBLYWOMAN KOIVISTO MOVED TO CLOSE BA 4541 AS RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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AGRICULTURE REGISTRATION/ENFORCEMENT, BA 4545

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4545. Decision unit E710 recommended reserve funding of \$4,500 in each year of the biennium for six new computers. The recommendation appeared reasonable to staff. The account reflected the revised Department cost allocation. Staff recommended the budget account be closed as revised.

ASSEMBLYMAN PARKS MOVED TO CLOSE BA 4545 AS
RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY
TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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LIVESTOCK INSPECTION, BA 4546

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4546. This budget account had two major closing issues.

The first major closing issue was the revised revenue projections. The livestock inspection tax (head tax) was expected to decline, which did not correlate with the head tax's historical growth trends. Additionally, the inspection fee was projected to remain flat; however, in fiscal year (FY) 2006-07 there was an 11.3 percent increase. As a result, the agency modified its projection methodology. Rather than basing projections on FY 2005-06 actual revenues, the agency based its revised projections on revenue collection for FY 2006-07 year-to-date and annualized it for the remainder of the fiscal year. The agency then calculated the 5-year average growth rate for each revenue source and applied the growth rate to the annualized revenue projections for FY 2006-07 to determine its projected revenues for FY 2007-08 and FY 2008-09. As a result, the agency revenues increased by \$107,220 in FY 2008 and \$258,083 in FY 2009. The revised revenue projection methodology appeared reasonable to staff.

Ms. Coffman next discussed the second major closing issue. In creating a revised revenue source, the agency increased its reserve levels. During its March 22, 2007, hearing the Subcommittee expressed concerns regarding the agency's rerecording fees. The fees were collected every four years and were required to be utilized during that four-year period. Based on the Governor's original budget it appeared the reserve would be insufficient to maintain operations beyond the 2007-09 biennium. As a result of the revised revenue projections, the agency now projected a reserve balance of \$435,009 at the end of FY 2008-09 and a reserve balance of \$173,583 at the end of the 2009-11 biennium. Based on the revised revenue projections, the agency's reserve level appeared reasonable to staff through the next rerecording period scheduled for FY 2011-12.

According to Ms. Coffman, under other closing items the agency had requested \$10,614 over the biennium for additional travel expenditures for three meetings. The meetings appeared conducive to the agency's overall mission.

Decision unit E350 recommended transferring reserve funds of \$1,456 in the 2007-09 biennium to the Plant Industry Division to fund 25 percent of the costs associated with printing 10,000 agriculture enforcement brochures and sending four Agriculture enforcement Officers to attend quarterly meetings with the California Rural Crime Prevention Task Force. Staff requested authority to make any necessary changes to this decision unit depending on the approval of the travel and printing expenditures recommended in decision unit E350 within the Plant Industry account previously approved.

Ms. Coffman pointed out that decision unit E807 recommended reserve funding to support a three-grade pay increase for five sworn deputy brand inspector 2 positions. During the March 22, 2007, hearing it was indicated that these deputy brand inspectors were not included in the Department of Personnel's recommendation for sworn peace officers, but it had been determined that was not the case. The deputy brand inspector 2 positions were included in the Department of Personnel recommendations for the three-grade increase. The Subcommittee might want to consider delaying a decision on this recommendation as the decision would be made in conjunction with other division budgets containing decision unit E807.

Decision unit E812 of BA 4546 requested transferring 25 percent of the funding associated with a three-grade pay increase for the five Plant Industry enforcement officers. Budget account 4546 funded 25 percent of these five Plant Industry enforcement officer positions. As previously stated, the Subcommittee might want to consider delaying a decision on this recommendation until further information had been provided by staff.

Senator Rhoads commented that the funding for travel in decision unit E250 was important for livestock identification and recommended the request be approved. With the increase in livestock thefts, this travel was necessary.

ASSEMBLYWOMAN KOIVISTO MOVED TO CLOSE BA 4546 AS
RECOMMENDED BY STAFF, HOLDING DECISION UNITS E807
AND E812, AND TO GRANT STAFF AUTHORITY TO MAKE
NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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VETERINARY MEDICAL SERVICES, BA 4550

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4550 indicating there were no major closing issues within the account.

Ms. Coffman pointed out that under the other closing items one position within the agency was 100 percent federally funded. However, the fringe benefit adjustments for this position were paid by the General Fund. Staff recommended an increase in federal funds to account for the fringe benefits for the federally funded position with corresponding reductions to General Fund salary adjustments.

Decision unit M303 recommended reclassification of a computer network specialist 2 position to an IT professional 3 position. The reclassification was recommended by the Department of Personnel and appeared to be reasonable to staff.

According to Ms. Coffman, there was a request to reduce General Fund appropriations associated with the senior veterinary diagnostician as the incumbent was an unclassified veterinary diagnostician.

ASSEMBLYWOMAN KOIVISTO MOVED TO CLOSE BA 4550 AS
RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY
TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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WEIGHTS AND MEASURES, BA 4551

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4551. The major closing issue within this budget account was the petroleum inspection fee. The Governor's funding recommendations displayed a reserve balance of \$14,799 at the end of fiscal year (FY) 2007-08 and \$19,399 at the end of FY 2008-09, which equated to less than ten days worth of the agency's expenditures.

The agency revised projections for its petroleum inspection fee, the agency's primary source of revenue. The petroleum inspection fee was collected by the Department of Motor Vehicles (DMV) and transferred to the agency. Consequently, the DMV provided revenue projections for the revenue source. The DMV had projected additional petroleum inspection fee revenue of \$65,768 in FY 2008 and \$70,970 in FY 2009.

Ms. Coffman stated that if the projections were approved, in addition to the changes in the cost allocation, the agency would have a reserve balance of \$93,176 in FY 2009, which equated to one-half of one month of the agency's operating expenditures. Staff had reviewed the revisions to the petroleum inspection fee revenue projections, and they appeared reasonable.

Ms. Coffman pointed out that in other closing items decision unit E710 recommended reserve funding of \$52,763 in the 2007-09 biennium to replace one mechanical metrology balance, calibration of the agency's existing scales, and purchase of one vehicle. The reserve balance of \$93,176 in FY 2009 did not include the purchase of the vehicle.

Chairwoman McClain requested additional information regarding the vehicle currently in use by the agency. Ms Coffman explained the vehicle was purchased in 1992 and had 145,000 miles on the odometer. The vehicle was used by the administrator.

ASSEMBLYWOMAN KOIVISTO MOVED TO CLOSE BA 4551 AS
RECOMMENDED BY STAFF, EXCLUDING THE PURCHASE OF A
NEW VEHICLE, AND TO GRANT STAFF AUTHORITY TO MAKE
NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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NOXIOUS WEED AND INSECT CONTROL, BA 4552

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4552 stating there were no major closing issues within the budget account. The account reflected the revisions to the cost allocation plan. Staff recommended the budget account be closed as revised.

ASSEMBLYMAN HARDY MOVED TO CLOSE BA 4552 AS
RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY
TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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MORMON CRICKET AND GRASSHOPPERS, BA 4556

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4556. There were no major closing issues within the budget account. The account reflected the revised cost allocation plan. Staff recommended the budget account be closed as revised.

Ms. Coffman pointed out that decision unit E600 eliminated an agriculturist 2 position and associated costs.

ASSEMBLYMAN GRADY MOVED TO CLOSE BA 4556 AS
RECOMMENDED BY STAFF, INCLUDING ELIMINATION OF THE
AGRICULTURIST 2 POSITION, AND TO GRANT STAFF
AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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PREDATORY ANIMAL AND RODENT CONTROL, BA 4600

Chairwoman McClain requested holding Budget Account (BA) 4600 until additional information was received. The Subcommittee agreed.

NEVADA JUNIOR LIVESTOCK SHOW BOARD, BA 4980

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4980.

There was one enhancement unit within this budget account. Decision unit E350 requested \$7,000 each year of the biennium to contract with the Reno Livestock Event Center for the agency's annual Junior Livestock show. In the past, the agency contracted with the University of Nevada, Reno (UNR) to facilitate its annual Junior Livestock show. However, the contract was

terminated with UNR in fiscal year (FY) 2005-06, and replaced with the Reno Livestock Event Center contract. Staff reviewed the decision unit which appeared reasonable.

ASSEMBLYMAN HOGAN MOVED TO CLOSE BA 4980 AS RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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MINERALS, BA 4219

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 4219. No major closing issues were noted in this budget account.

Because of inflationary expenses, the agency was requesting additional funds for t-posts and barbed wire for the Abandoned Mines Program. Additionally, the agency was requesting \$52,618 under decision unit E710 to replace six desktop computers, two CADD workstations, two laptop computers, one laser jet printer, one projector, various software updates, and one three-quarter ton, four-wheel-drive pickup truck. The request appeared reasonable to staff.

Ms. Coffman pointed out that decision unit E720 requested funding for one new three-quarter ton, four-wheel-drive pickup truck, which would be used for the agency's Abandoned Mine Land Program. The agency currently had four existing pickup trucks used for this program and shared between five full-time equivalent (FTE) positions and six summer interns. The request appeared reasonable to staff.

ASSEMBLYWOMAN KOIVISTO MOVED TO CLOSE BA 4219 AS RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED ON THE ASSEMBLY SIDE.

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Chairwoman McClain advised that a quorum was present for both the Senate and Assembly sides.

DEPARTMENT OF BUSINESS AND INDUSTRY

BUDGET CLOSINGS

Chairwoman McClain requested Brenda J. Erdoes, Legislative Counsel, Legislative Counsel Bureau (LCB), provide the Subcommittee with information regarding the Business and Industry (B&I) agencies paying rent for places where they were not housed. Ms. Erdoes explained to the Subcommittee that the

Nevada Revised Statutes (NRS) which applied to the situation was *NRS 353.255*, which stated:

1. The sums appropriated for the various branches of expenditure in the public service of the State shall be applied solely to the objects for which they are respectively made, and for no others.
2. Any person violating the provisions of subsection 1 shall be punished by a fine of not more than \$500.

The statute was dated to 1915. In the opinion of Ms. Erdoes, the provision was a cornerstone of the budget process, stating that agencies must expend the money in the manner set forth in the budget. Ms. Erdoes stated that, in her opinion, NRS 353.255 would be violated if an agency expended money in its budget for rent for premises it was not occupying.

Chairwoman McClain commented that the Subcommittee did want to set a precedent for other agencies by allowing one agency to go outside the budget process. The amount of money was not an issue, only the process. Chairwoman McClain recommended the Subcommittee not approve the 2008-09 budgets until the situation had been resolved.

Senator Beers pointed out that the Department needed to be reminded to appear before the Interim Finance Committee (IFC) prior to expending unauthorized money. However, at this time budget closings should take priority.

Chairwoman McClain requested information from staff regarding the alternatives available to the Subcommittee. Mr. Larry Peri, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), agreed the Subcommittee could postpone closing budgets for B&I. Rather than wait for a full meeting of IFC, Senate members and Assembly members could meet individually on one item if the agency submitted a revision to accommodate the expenditures for the move. If the Subcommittee chose to do that, the process could be completed expeditiously without waiting for a joint meeting of the IFC.

Mr. William J. Maier, Administrative Services Officer, Department of Business and Industry, advised the Subcommittee that the Director's Office was in the process of completing a requested work program to cover the unauthorized expenditures. The adjustment appeared to be under the amount required to appear before IFC.

Mr. Peri stated the thresholds in statute indicate whether the Budget Division can approve the work program administratively or whether the request would go to the IFC for approval. If Mr. Maier was correct, as soon as the work program was submitted, the Budget Division could review the request and approve it if the required guidelines were met. The process could take only a matter of days.

Chairwoman McClain requested the process be completed by April 27, 2007.

REAL ESTATE ADMINISTRATION, BA 3823

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 3823. There were three major closing issues in this budget account.

Major closing issue number one, according to Ms. Coffman, was the reduction in examination fee revenue. *Nevada Revised Statutes* (NRS) 645.140 stated that all fees collected from examinations must be deposited into the General Fund after all costs related to the administration of the examinations had been paid by the agency. Historically, approximately 60 percent of this revenue source had covered the costs associated with administering the examinations, while the remaining 40 percent had been transferred to the General Fund to be used as a revenue source to fund the State's operations. The Governor recommended reductions in total examination fee revenue from \$2.06 million in fiscal year (FY) 2006 to \$1.48 million in each year of the 2007-09 biennium. Based on the reduced revenue forecasted, the Economic Forum indicated that \$592,240 would be transmitted to the General Fund in each year of the biennium, which was 40 percent of the \$1.48 million and consistent with historical trends. The Executive Budget displayed Transfers to General Fund as \$141,069 in each year of the biennium, which is \$451,171 less than the \$592,240 projected by the Economic Forum.

Ms. Coffman continued with the overview, stating that the examination fee revenue was redirected from the Transfers to General Fund category to other existing expenditures. The adjustment significantly reduced the agency's General Fund appropriations displayed in the base budget from \$1.23 million to \$820,493 in FY 2008 and \$821,929 in FY 2009. It appeared the reductions in General Fund appropriations allowed the additional enhancements requested for six new positions, while maintaining the agency's overall General Fund appropriations of approximately \$1.2 million to \$1.3 million in each year of the 2005-07 biennium. If the adjustment had not occurred, the additional enhancements recommended by the Governor would have increased General Fund appropriations by 36.2 percent in FY 2008 and 44 percent in FY 2009.

According to Ms. Coffman, the Subcommittee questioned the agency's Transfers of General Fund at the hearing on February 8, 2007. The agency acknowledged there was an error in the budget and the amendment would be forthcoming. However, as of April 22, 2007, staff had not received an amendment to correct the General Fund shortfalls. The Economic Forum's projection for examination fee revenue was \$902,262 greater than the amounts included in Transfers to General Fund in the Real Estate Administration account.

The agency was asked to provide the Budget Division and the Fiscal Analysis Division with updated revenue projections for the examination fees. The agency projected the Transfers to General Fund could be revised to \$493,635 in each year of the 2007-09 biennium, which was 40 percent of the reduced projection for testing fee revenue of \$1.23 million.

Ms. Coffman noted that if the revised examination fee revenue of \$1.23 million was input into the budget with corresponding expenditures of \$740,452 to Testing Services and \$493,635 to Transfer to General Fund, the agency would be short \$503,648 in revenue each year of the 2007-09 biennium, because of the error initially made in the base budget that was not corrected. The logical method to correct the shortfall was to reduce expenditures recommended in the enhancement units. By eliminating the six new positions recommended by the Governor, the shortfall in revenue would be reduced to \$246,397 in FY 2007-08 and \$168,168 in FY 2008-09, for a total of \$414,555.

To balance the budget, Ms. Coffman said the Subcommittee must either add additional General Fund appropriations of \$246,397 in FY 2007-08 and

\$168,168 in FY 2008-09 or reduce recommended enhancements further, in addition to reducing base expenditures.

Ms. Coffman next discussed the six new positions requested in BA 3823. The agency had requested a new central service section to be manned by two administrative assistant 2 positions and one administrative assistant 1 position. The new section would be responsible for answering phone calls, sorting incoming mail, printing licenses and renewal notices, and processing criminal background histories.

The agency indicated that the two administrative assistant 2 positions were the agency's highest priority in regard to new positions, while the administrative assistant 1 was the agency's lowest priority. The Division provided staff with adequate justification to substantiate its request for staffing for the central service section. However, according to Ms. Coffman, in light of the reduction in examination fee revenue as discussed in major closing issue number one that reduced Transfers to General Fund, the Subcommittee might want to consider not approving this decision unit.

According to Ms. Coffman, the agency also requested three additional positions, including an administrative assistant 4 position. The position would be responsible for supervising three administrative assistants in the Carson City office. Currently, the three positions were supervised remotely by the Licensing Manager in Las Vegas. According to the agency, there were no other positions with the qualifications to supervise the administrative assistants in the Carson City office. The Governor's recommendation for an administrative assistant 4 position appeared reasonable to staff; however, as part of the Governor's initiative to cut the General Fund appropriations, the agency had proposed to delay the start date of the position, which reduced the General Fund amount by approximately \$30,575.

The next position requested was an unclassified deputy administrator to supervise eight program managers located in Las Vegas, who are now supervised by the Administrator of the Division. The Administrator stated she was out of the office approximately 20 percent of the time and was unable to provide day-to-day supervision for the program managers. The Division had one authorized deputy administrator position located in Carson City. Ms. Coffman pointed out that of the 18 agencies statewide that had between 46 full-time equivalent (FTE) and 96 FTE, there were only 2 agencies that had 2 deputy administrators, while there were 5 that had 1 deputy administrator and 11 that had no deputy administrators. Ms. Coffman stated that the Subcommittee should note that as part of the Governor's initiative to cut General Fund appropriations, the agency proposed to eliminate this position; however, in the agency revised request for budget cuts, the position was restored and the start date was delayed. Based on the minimal size of the Division, the agency's proposal to eliminate the position, and the adjustments noted previously that reduced Transfers to General Fund, the Subcommittee might consider not approving this position.

The final position requested by the agency was a program officer 2. The position was responsible for assisting the project chief in charge of timeshare sales, educating timeshare sales agents, monitoring the pre-certification of timeshare agents, and auditing courses offered to timeshare agents. Ms. Coffman advised the Subcommittee to note that as part of the Governor's initiative to reduce General Fund appropriations, the agency originally proposed to eliminate the position; however, the position was restored

and the start date was delayed as part of the formal budget reductions recommended by the Governor. While staff believed the agency had provided sufficient information to justify the Governor's recommendation for the program officer, the Subcommittee might consider not approving this recommendation in light of the adjustments noted previously that reduced Transfers to General.

Ms. Coffman pointed out that under other closing items decision units M300, M303, M304, and E813 were recommended for General Fund appropriations and General Fund salary adjustment funding, but it appeared there were several positions in these decisions units that should be cost allocated. Staff recommended that \$14,570 in FY 2008 and \$20,895 in FY 2009 be cost allocated to fund these decision units.

Ms. Coffman continued by noting that under other closing items there was funding taken from the base budget for Title XI activities. It appeared the funding should be restored to the base budget. In addition, the replacement equipment requested appeared reasonable to staff.

In response to Chairwoman McClain, Ms. Coffman stated that even if the six positions were not approved, funding of \$246,397 in FY 2008 and \$168,168 in FY 2009 would be required to balance the budget.

Senator Beers noted the Subcommittee could not eliminate all of the requested positions. The agency generated more revenue than what it expended.

Assemblyman Parks asked how much the fees affected the General Fund. Ms. Coffman responded the agency generated more revenue than what was collected from the General Fund. Residuals were transferred to the General Fund.

Ms. Coffman explained to Chairwoman McClain that the 60 percent/40 percent split described earlier was not in statute but was an estimate. The examination costs varied depending on the type of examination. The agency then determined how much of the funding had to be paid to contractors who performed the examinations and implemented a 10 percent contingency. The Division held the funds to cover expenses. The final calculation was approximately 60 percent/40 percent.

Chairwoman McClain recommended the Subcommittee hold BA 3823 until after the meeting of the Financial Forum on May 1, 2007.

INSURANCE REGULATION, BA 3813

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 3813. As a reminder to the Subcommittee, Mr. Combs reviewed a previous budget hearing discussion regarding reductions in fraud assessment revenues the agency had experienced. The original projection included in The Executive Budget was \$1,219,700 in fiscal year (FY) 2008 and \$1,197,967 in FY 2009. During the hearing it was indicated that the projections included nearly \$50,000 in fee and fine revenue collected for late fees. Based on the FY 2007 collections, the agency reviewed the projection and recalculated the projection to \$1,186,500 in each year of the biennium. Staff had reviewed the projection and believed it reasonable based on recent trends in fraud assessment collections.

Mr. Combs noted that although the Division was required by statute to transfer 85 percent of fraud assessment revenues to the Office of the Attorney General (AG), the Division was not required to transfer any of the fine revenue it received for late payment of assessments. Since \$50,000 in fines for late payments was included in the Division's original projections and because the Division had revised its projections of fraud assessment revenues, the transfer to the AG should be reduced from \$1,036,745 in FY 2008 and \$1,018,272 in FY 2009 to \$1,008,525 in each year of the 2007-09 biennium.

Mr. Combs recommended the creation of a separate revenue line item for fine revenues to ensure that fines received for late payments did not result in confusion regarding the amount required to be transferred to the AG. Based on the actual receipts of revenues from fines in FY 2007, staff recommended including \$25,000 in revenue authority in each year of the 2007-09 biennium.

The next major closing issue presented by Mr. Combs was the request for four new positions to maintain National Association of Insurance Commissioners (NAIC) accreditation. In decision unit E325, two positions were created by the Division during the biennium using vacancy savings. According to the Division, the two new positions were needed to address deficiencies identified from a pre-accreditation review conducted by the NAIC. The deficiencies had to be addressed prior to NAIC's formal accreditation audit during the first quarter of calendar year 2007.

Mr. Combs said the Division initially intended to request a Contingency Fund allocation during FY 2006 to fund the two new positions, but the Division withdrew the request because of concerns with the funding levels available in the Contingency Fund at that time. The agency was then able to fund the positions with vacancy savings.

In decision unit E250, the Governor recommended General Funds totaling \$111,657 in FY 2008 and \$140,472 in FY 2009 for two additional management analyst positions for the Corporate and Financial section to assist with the finding in the NAIC report and the findings of the Legislative audit. The two new positions were requested to become effective on October 1, 2007. According to Mr. Combs, staff had reviewed the request and determined the request appeared reasonable.

Mr. Combs continued the overview with other closing items which included the increased internal cost allocation revenue. At the hearing conducted on March 8, 2007, it was noted that the transfers from all of the Insurance Division accounts to this account had increased approximately 49 percent in FY 2008 over the transfers in FY 2007. The Division representatives indicated it had not changed its cost allocation methodology for charging expenditures to the Division's non-General Fund accounts since the 2005-07 biennium. The Division was confident the increased level of transfers recommended for the 2007-09 biennium were appropriate.

It appeared, according to Mr. Combs, the Division revised its cost allocation methodology for the 2005-07 biennium to weigh equally (50 percent/50 percent) the percentage of the Division's approved full-time equivalent (FTE) positions funded in each account and the percentage of the Division's program funds expended from each account in the base year. It appeared that previously the percentage of the Division's FTE positions funded in each account was weighted more heavily than the percentage of the Division's program funds expended from each account (60 percent/40 percent).

Mr. Combs explained that although Fiscal Analysis Division staff had not adjusted the methodology used by the Division for the internal cost allocation, staff had made various technical adjustments to the transfers from other Division accounts to this account. Certain Operating and Information Services expenditures in this account were not allocated at the amounts approved in the Governor's recommended budget. In addition, the percentage charged to the other agency accounts had been increased from 44.95 percent in the Governor's recommended budget to 46.8 percent to correct a miscalculation in the Governor's recommended budget. These adjustments increased the transfers from the other Division accounts by \$58,953 in FY 2008 and by \$63,672 in FY 2007 and reduced the General Fund appropriation for this account by the same amounts.

It appeared the Division's other accounts could support the cost allocation transfers as recommended by the Governor and as adjusted by Fiscal Analysis Division staff over the 2007-09 biennium without negatively impacting the reserves in those accounts. The Examiners account (BA 3817) did not include any positions but funded a significant portion of the Division's expenditures for contract examinations of insurers. This resulted in the Examiners account funding approximately 72 percent of the total transfers to the Regulation account from other Division accounts.

Mr. Combs recommended the issuance of a letter of intent to the Division directing the Division to determine whether the Examiners account could continue to support such a large percentage of the total funds transferred to the Regulation account (BA 3813) from other Division accounts. The Subcommittee might also want to direct the Division to revise its cost allocation methodology for the 2009-11 biennium if the Division determined that the Examiners account could not support the transfers at the current level.

The next closing item discussed by Mr. Combs was an issue which dealt with the adjustments to the Attorney General (AG) and statewide cost allocations. Budget amendments 67 and 68 were submitted to revise the AG and statewide cost allocation expenditures for many of the Department of Business and Industry accounts. The effect the amendments had on the Insurance Division accounts was to totally eliminate any contribution toward the AG cost allocation in the 2007-09 biennium and reduce the statewide cost allocation from \$53,983 in FY 2006 to \$8,974 in each year of the biennium.

Although General Fund appropriations were used to balance the expenditures in this account, it appeared unreasonable for the Insurance Division to contribute nothing toward the AG's cost allocation plan and only a small portion (\$8,974) toward the statewide cost allocation plan when a significant percentage of the Division's budgets were funded with non-General Fund sources. Mr. Combs recommended that since 19 percent of the expenditures for the account for each year of the 2007-09 biennium were funded through transfers from other Division accounts, funding 19 percent of the AG and statewide cost allocations in FY 2008 and FY 2009 through transfers from the Division's other accounts seemed appropriate.

The recommendation would result in transfers from the other accounts totaling \$197,753 in FY 2008 and \$124,263 in FY 2009 for the AG cost allocation. Mr. Combs also recommended a transfer from the other accounts to this account totaling \$5,496 in each year of the biennium for the statewide cost allocation. The impact of the recommendation on each of the Division's

accounts that would contribute toward the cost allocation plans was detailed in the closing documents for the affected accounts.

Mr. Combs next provided information for technical adjustments for the Regulation account (BA 3813). Because B&I Administration (BA 4681) received a General Fund appropriation for the portion of its budget that should be funded with General Funds, funding these decision units with General Funds was not appropriate. Staff had revised the budget to fund the expenditures with a portion of the \$25,000 in revenue from fines received for late payments of fraud assessment revenues discussed earlier.

The cost allocation transfer to the B&I Administration account (BA 4681) was increased by \$1,884 in FY 2008 and by \$1,193 in FY 2009 to pay this account's portion of the costs for the M304 and E813 decision units in the B&I Administration account.

SENATOR BEERS MOVED TO CLOSE BA 3813 AS
RECOMMENDED BY STAFF, EXCLUDING THE UNCLASSIFIED
SALARY INCREASES, AND TO GRANT STAFF AUTHORITY TO
MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED.

BUDGET CLOSED.

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INSURANCE EXAMINERS, BA 3817

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 3817. At a hearing conducted on March 22, 2007, the Subcommittee expressed concerns regarding the level of examination fee revenues included in The Executive Budget for the 2007-09 biennium. Examination fee revenues in the Governor's recommended budget exceeded examination expenditures by \$554,051 in fiscal year (FY) 2008 and by \$366,965 in FY 2009.

According to Mr. Combs, the Division had indicated to Fiscal Analysis Division staff that examination fee revenues exceeded examination expenditures because the Division engaged specialists, including actuaries and information technology experts, whose services were billed to the examined companies at more than cost. The Division later indicated that revenues exceeded expenditures because there was a delay in the receipt of fee revenues after the contract examiners were paid by the Division. An even later response from the Division indicated that during a period between FY 1999 and FY 2003 the Division had not billed some insurance companies for which it had performed an examination. The Division had recently attempted to collect the monies owed for the examinations, which accounted for an increase of fee revenue received over the expenditures as expenditures were incurred in a prior fiscal year.

The Division also indicated that because Division employees in the insurance regulation account performed supervisory reviews of the work performed by the contract examiners in this account, the Division would receive examination fee revenues not related to the contract examination costs included in the budget.

According to Mr. Combs, the Division indicated that examination fee revenues collected for Supervisory Reviews performed by Division employees had accounted for between 1 percent and 4.3 percent of examination fee revenues over the last three fiscal years. Although the Supervisory Review fees collected by the Division would result in examination fee revenues exceeding examination expenditures, the fees charged for Supervisory Reviews were not sufficient to justify the significant difference between examination fee revenues and examination expenditures in The Executive Budget for the 2007-09 biennium.

It appeared to staff that the recent trend of examination fee revenues exceeding examination expenditures had been caused by a combination of receiving revenues for examinations conducted in previous fiscal years and collecting fees for Supervisory Reviews conducted by Division employees. Because revenue collections had exceeded expenditures by an average of 10.9 percent in FY 2005 and FY 2006, Mr. Combs believed that it would be reasonable to project that examination fee revenues would exceed examination expenditures by 10.9 percent in each year of the 2007-09 biennium as well. Staff recommended reducing examination fee revenues by \$307,510 to \$2,506,033 in FY 2008 and by \$93,139 to \$2,783,379 in FY 2009. In addition, Mr. Combs also recommended a corresponding reduction in administrative fee revenues because the administrative fees were budgeted at approximately 33.6 percent of examination fee revenues in each fiscal year. Mr. Combs recommended reducing administrative fee revenues by \$99,323 to \$845,360 in FY 2008 and by \$26,913 to \$938,917 in FY 2009.

Mr. Combs advised the Subcommittee that the remaining closing issues in BA 3817 were related to the internal cost allocations discussed in detail in the overview of BA 3813.

SENATOR RHOADS MOVED TO CLOSE BA 3817 AS
RECOMMENDED BY STAFF AND TO GRANT STAFF AUTHORITY
TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED.

BUDGET CLOSED.

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Chairwoman McClain requested that Mr. Larry Peri, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), bring the Senate up-to-date on the budget closings passed by the Assembly.

DEPARTMENT OF AGRICULTURE

BUDGET CLOSINGS

Mr. Larry Peri, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided Senator Beers and Senator Rhoads a brief summary of the Department of Agriculture budget accounts previously discussed by the Assembly and the subsequent actions.

SENATOR RHOADS MOVED TO ACCEPT STAFF
RECOMMENDATIONS FOR THE FOLLOWING BUDGET
ACCOUNTS:

ADMINISTRATION, BA 4554.
GAS POLLUTION STANDARDS, BA 4537.
PLANT INDUSTRY, BA 4540.
GRANT AND CERTIFICATION OF AG PRODUCTS, BA 4541.
AGRICULTURE REGISTRATION/ENFORCEMENT, BA 4545.
LIVESTOCK INSPECTION, BA 4546.
VETERINARY MEDICAL SERVICES, BA 4550.
WEIGHTS AND MEASURES, BA 4551—INCLUDING ONE VEHICLE
REPLACEMENT IN DECISION UNIT E710 AS
RECOMMENDED BY THE GOVERNOR.
NOXIOUS WEED AND INSECT CONTROL, BA 4552.
MORMON CRICKET AND GRASSHOPPERS, BA 4556.
PREDATORY ANIMAL AND RODENT CONTROL, BA 4600—HOLD
FOR ADDITIONAL INFORMATION.
NEVADA JUNIOR LIVESTOCK SHOW BOARD, BA 4980.
MINERALS, BA 4219.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED ON THE SENATE SIDE.

BUDGETS CLOSED.

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DEPARTMENT OF BUSINESS AND INDUSTRY

BUDGET CLOSINGS

CAPTIVE INSURERS, BA 3818

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided the Subcommittee with an overview of Budget Account (BA) 3818. The Executive Budget recommended revenues and expenditures for this account that resulted in the reserve for the account decreasing from \$141,304 at the end of FY 2006 to \$41,865 in FY 2008 and \$6,582 in FY 2009. At the March 21, 2007, Interim Finance Committee (IFC) meeting, the Division submitted a work program which increased the reserve level for the account by \$104,222 to \$195,869.

As a result of the increased revenues through the work program, the Division was directed by the Subcommittee to reevaluate the fee revenues for this account. The examination fees in the account were increased to \$498,750 in FY 2008 and \$503,125 in FY 2009. The Division projected that \$15,000 in FY 2008 and \$10,500 in FY 2009 would be collected for Supervisory Reviews performed by Division staff and that all of the remaining examination fee revenues would be paid to contract examiners. The new projection of examination fee revenue appeared reasonable to staff.

Mr. Combs noted that in FY 2007 the Division collected \$886,473 in insurance premium tax revenue. Of that 75 percent was deposited in the General Fund. The new projection for insurance premium tax revenue was \$1,008,399 in

FY 2008 and \$1,052,979 in FY 2009. The result of the increase was a deposit of \$252,100 in FY 2008 and \$263,245 in FY 2009 into the captive insurers account. These amounts appeared reasonable to staff.

The application fee revenues were established at \$10,000 in each fiscal year based on a projection of 20 new applicants each year. The license and fee revenue the Division had projected was \$36,000 in each year of the biennium based on 20 new applicants each year. Staff recommended the amount be increased to \$40,500 in the second year of the biennium.

Overall the adjustments reflected in the closing document resulted in the reserve level increasing to approximately \$227,000 in FY 2008 and \$260,000 in FY 2009.

According to Mr. Combs, there was a significant request for increased Out-of-State Travel expenditures in BA 3818. The Governor recommended \$28,939 in each year of the biennium to provide funding for the Chief Insurance Examiner position to attend national conferences to market Nevada as an attractive domiciliary state for captive insurers. The Division indicated that during FY 2007 the Chief Insurance Examiner position conducted Out-of-State Travel totaling \$11,113 from three separate Insurance Division accounts. Through technical corrections that were made, the Division had indicated that decision unit E325 as reflected in the budget did not match its priorities for travel for the Captive Insurance Program. The Division indicated that it wished to incur expenditures totaling \$23,898 in FY 2008 and \$19,627 in FY 2009 for attendance at captive conferences.

The differences between what the Governor's budget recommended in comparison to revised out-of-state travel request were indicated in the following priority listing of conferences:

- Annual Captive Insurance Companies Association (CICA) Conference.
- Annual Risk and Insurance Management Society, Inc. (RIMS) Conference.
- One Hawaii Captives Conference in FY 2008 only (Two trips each year included in The Executive Budget).
- Three of the National Association of Insurance Commissioners (NAIC) Quarterly Meetings.
- World Captive conference (not funded in The Executive Budget).
- Fourth Quarterly NAIC Meeting (not funded in The Executive Budget).
- One person to captive conference in Arizona (authority for two persons funded in The Executive Budget).
- One person to captive conference in Vermont (authority for two persons funded in The Executive Budget).

Mr. Combs pointed out that as revised by the Division, decision unit E325 increased expenditures for the Chief Insurance Examiner position to attend conferences by \$12,785 in FY 2008 (115 percent) and by \$8,514 in FY 2009 (76.6 percent) when compared to the \$11,113 that was expended for conference attendance in the three Division budget accounts in FY 2007. If the Subcommittee wished to reduce the expenditures for conference attendance further, while still authorizing the Chief Insurance Examiner for captives to increase his attendance at such conferences, Fiscal Analysis Division staff provided the following three options for the Subcommittee's consideration:

1. Approve the Division's revised travel request with reduction to airfare as recommended by staff. The reductions were based on the amounts

budgeted for airfare by the Division for other travel recommended in The Executive Budget.

2. Reduce airfare as proposed in option 1 and authorize the Chief Insurance Examiner to attend the annual CICA conference, the annual RIMS conference, the Hawaii captive conference in FY 2008, four quarterly NAIC meetings and the World Captive Forum. This option eliminated the Vermont Captive Conference and the Arizona Captive Conference from the Division's revised request.
3. Authorize the Chief Insurance Examiner to attend the annual CICA conference, the annual RIMS conference, the Hawaii captive conference in FY 2008, three quarterly NAIC meetings and the World Captive Forum. This option would eliminate one NAIC meeting, the Vermont Captive Conference and the Arizona Captive Conference from the Division's revised request. This option also included option 1.

Mr. Combs reviewed decision units E250 and E325, which recommended increases In-State Travel, and those increases appeared reasonable to staff.

Decision units E715 and E720 recommended expenditures for equipment and computer replacements and appeared reasonable to staff.

Decision unit E806 recommended removal of the Chief Insurance Examiner position from the classified service and to recreate the position as an unclassified Deputy Insurance Commissioner in the unclassified pay bill. The recommendation increased the salary of the position from \$81,269 to \$89,568 in FY 2008 and from \$84,520 to \$93,151 in FY 2009.

The Division was limited by statute to two deputy insurance commissioners. Assembly Bill (A.B.) 161 was under consideration for a third deputy insurance commissioner.

Mr. Combs reminded the subcommittee that salary levels for unclassified positions as well as issues regarding the positions that should and should not be included in the unclassified pay bill would be considered by the full Legislature before the end of the 2007 Session. If the Subcommittee wanted to make a recommendation to the Legislature regarding this issue, the Subcommittee might want to consider the following options:

1. Deny the request and recommend that the position remain in the classified service where it would remain eligible for overtime reimbursement at 1.5 times the normal compensation rate.
2. Recommend that the position be removed from the classified service and recreated as an unclassified deputy insurance commissioner at the salary recommended for the existing two deputy insurance commissioner positions as recommended by the Governor.
3. Recommend that the position be removed from the classified service and recreated as an unclassified deputy insurance commissioner position at a salary in FY 2008 that was the average of the salary recommended for the position in the classified service and the salary recommended for the existing two deputy insurance commissioner positions. In FY 2009, the salary would be increased by the same percentage as all other unclassified salaries. The Subcommittee should note that this option placed the salary between tier levels developed by the Department of Personnel and used by the 2005 Legislature to determine unclassified salaries for the 2005-07 biennium. Reducing the salary to the next tier

level would reduce the salary for the position from its current level and was not recommended.

Mr. Combs noted the other closing adjustments were either technical adjustments to adjust the balance forward based on the IFC work program, or they were the internal cost allocation issues discussed in the regulation account.

Assemblyman Parks pointed out that Assembly Commerce and Labor had recommended A.B. 161 as amend and do pass, but was unclear whether the bill had passed out of the Assembly. Mr. Combs stated the bill, if approved, would provide the authority for the third deputy insurance commissioner, but not the funding.

ASSEMBLYMAN PARKS MOVED THE SUBCOMMITTEE:

1. CLOSE BA 3818 AS RECOMMENDED BY STAFF.
2. APPROVE THE DIVISION'S REVISED TRAVEL REQUEST WITH REDUCTION TO AIRFARE AS RECOMMENDED BY STAFF AND AUTHORIZE THE CHIEF INSURANCE EXAMINER TO ATTEND THE ANNUAL CICA CONFERENCE, THE ANNUAL RIMS CONFERENCE, THE HAWAII CAPTIVE CONFERENCE IN FY 2008, FOUR QUARTERLY NAIC MEETINGS AND THE WORLD CAPTIVE FORUM, ELIMINATING THE VERMONT CAPTIVE CONFERENCE AND THE ARIZONA CAPTIVE CONFERENCE FROM THE DIVISION'S REVISED REQUEST.
3. GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.
4. MAKE NO RECOMMENDATION REGARDING THE THIRD DEPUTY INSURANCE COMMISSIONER POSITION.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy and Senator Coffin not present for the vote.)

BUDGET CLOSED.

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INSURANCE RECOVERY, BA 3821

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated there were no major closing issues for this account.

SENATOR RHOADS MOVED TO CLOSE BA 3821 AS RECOMMENDED BY STAFF AND GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy and Senator Coffin not present for the vote.)

BUDGET CLOSED.

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INSURANCE EDUCATION AND RESEARCH, BA 3824

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated there were no major closing issues for Budget Account (BA) 3824.

Additional funds were requested for Division employees to attend conferences and meetings regarding the Health Insurance Portability and Accountability Act (HIPAA). The Governor recommended \$9,947 in FY 2008 and \$9,982 in FY 2009. Based on the Division's ability to identify additional travel requirements totaling only \$5,236 in FY 2008 and \$5,271 in FY 2009, staff recommended reducing the request for additional travel authority to the amounts identified by the Division.

Decision unit E327 included publication and distribution of a Consumers Guide to Title Insurance. Staff had recommended an reduction of \$1,500 each year of the biennium based on information provided by the Division.

SENATOR BEERS MOVED TO CLOSE BA 3824 AS RECOMMENDED BY STAFF AND GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy and Senator Coffin not present for the vote.)

BUDGET CLOSED.

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NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS, BA 3828

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated there were no major closing issues for Budget Account (BA) 3828. Adjustments included were internal cost allocation adjustments referenced in the Insurance Regulation account (BA 3813).

ASSEMBLYMAN HOGAN MOVED TO CLOSE BA 3828 AS RECOMMENDED BY STAFF AND GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy and Senator Coffin not present for the vote.)

BUDGET CLOSED.

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INSURANCE COST STABILIZATION, BA 3833

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated there were no major closing issues for Budget Account

(BA) 3833. Adjustments included were internal cost allocation adjustments referenced in the Insurance Regulation account (BA 3813).

ASSEMBLYMAN GRADY MOVED TO CLOSE BA 3833 AS RECOMMENDED BY STAFF AND GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy and Senator Coffin not present for the vote.)

BUDGET CLOSED.

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SELF INSURED—WORKERS COMPENSATION, BA 4684

Mr. Rick Combs, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated there were no major closing issues for Budget Account (BA) 4684.

Decision unit E259 recommended increased In-State Travel expenditures totaling \$1,349 in each fiscal year of the 2007-09 biennium to provide authority for the Chief Insurance Examiner of the Division's workers' compensation section to meet with self-insured employers and associations of self-insured employers. The recommendation appeared reasonable to staff.

Decision unit E260 recommended increased Out-of-State Travel expenditures totaling \$12,599 in each year of the 2007-09 biennium to allow the Chief Insurance Examiner to attend the quarterly meetings of the National Association of Insurance Commissioners (NAIC). Division staff stated they had inadvertently requested two people to attend the quarterly meetings. Staff recommended reducing the expenditures to \$6,497 each fiscal year based on the Division's projections of the costs to send one person to the four quarterly meetings each fiscal year.

Adjustments included were internal cost allocation adjustments referenced in the Insurance Regulation account (BA 3813).

ASSEMBLYWOMAN KOIVISTO MOVED TO CLOSE BA 4684 AS RECOMMENDED BY STAFF AND GRANT STAFF AUTHORITY TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy and Senator Coffin not present for the vote.)

BUDGET CLOSED.

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There being no further questions or comments, Chairwoman McClain adjourned the Subcommittee at 10:00 a.m.

RESPECTFULLY SUBMITTED:

Linda Blevins
Committee Secretary

APPROVED BY:



Assemblywoman Kathy McClain, Chair

DATE: _____

Senator Bob Beers, Chair

DATE: _____

EXHIBITS			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government</u>			
Date: <u>April 24, 2007</u>		Time of Meeting: <u>8:00 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A	----	Agenda
	B	----	Attendance Roster
	C	Sarah Coffman, Fiscal Analysis Division	Department of Agriculture Revised FY 2007-09 Budget