

**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
February 8, 2007**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government was called to order by Chairman Bob Beers at 8:07 a.m., on Thursday, February 8, 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).

SENATE COMMITTEE MEMBERS PRESENT:

Senator Bob Beers, Chair
Senator Dean A. Rhoads
Senator Bob Coffin

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Ms. Kathy McClain, Chair
Mr. Joseph Hogan
Mrs. Ellen Koivisto
Mr. David R. Parks
Mr. Tom Grady
Dr. Joseph P. (Joe) Hardy, M.D.

STAFF MEMBERS PRESENT:

Larry Peri, Principal Deputy Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Sarah Coffman, Program Analyst
Anne Bowen, Committee Secretary
Patricia Adams, Committee Assistant

Chairman Beers called the Subcommittee to order and informed those present that the first order of business would be budget presentations from the Department of Business and Industry.

**DEPARTMENT OF BUSINESS AND INDUSTRY
BUSINESS AND INDUSTRY ADMINISTRATION (101-4681)
BUDGET PAGE B&I-1**

Mendy K. Elliott, Director, Department of Business and Industry (B&I), introduced William J. Maier, Administrative Services Officer (ASO).



Ms. Elliott stated that two items were being requested in Budget Account 101-4681: The transfer of a Department of Information Technology (DoIT) position to the B&I Administration staff, as well as the addition of an accountant 2 position to assist the Administrative Services Officer.

Ms. Elliott noted that the divisions within the Department of Business and Industry had not been working together as well as expected, and she was planning to have regular administrator meetings to discuss the strengths and visions of the various divisions. According to Ms. Elliott, if a need arose in one division there was currently no internal search between divisions to determine if that requirement could be fulfilled without leaving the Department. More importantly, Ms. Elliott stated, there was regular movement of positions within the various divisions that did not appear to utilize workers to the best advantage. Because there were never enough resources, the Department needed to learn to "do more with less."

Ms. Elliott said that as a business person, as well as the director of the Department of Business and Industry, it was important to have someone in a division that could assist the ASO to work with other divisions on a constant basis to ensure that fiscal resources were being efficiently utilized. Ms. Elliott continued and said that she had been asked by the Governor to look for opportunities to perform the duties of the Department more efficiently and effectively.

Chairman Beers referred to performance indicator 2 in The Executive Budget, which pertained to the percent of department work programs and contracts returned due to technical errors. The performance indicator had projected 2 percent for FY 2006, but there had been an actual 13 percent return rate in FY 2006. Chairman Beers asked whether that was indicative of the Department needing more help.

Mr. Maier replied that was precisely the issue. In addition, there had been an employee replaced, and the Department was in the process of training the new employee.

Chairman Beers asked whether performance indicator 3, percent of employees paid with established guidelines and timeframes, pertained to internal payroll. Mr. Maier replied that the performance indicators contained in Budget Account 4681 had been compiled by staff within the Department, and that was what they had been trying to demonstrate. There had also been an effort to develop a personnel function, and it was Mr. Maier's understanding that as the Department progressed in that development there would be an attempt to centralize personnel.

Assemblyman Hardy asked whether the Department was moving forward to implement the suggestions contained in the audit. Mr. Maier replied that an audit had been performed on the bond program in the Business and Industry Administration, and procedures were being updated in compliance with the audit.

Ms. Elliott added that one of the tasks she had accepted when she became director was to review all of the audits and determine where the agency was regarding compliance with the audit findings. While the Department had not been able to accomplish everything that the audit findings had suggested, it was high on the priority list to accomplish everything as soon as possible.

Mr. Maier stated that Director Elliott had indicated that she wanted the new position to work with the division administrators to quickly address the audit reports, follow-up on the recommendations, and link those improvements with actual performance measures in a strategic plan for the Department.

Senator Rhoads commented that, in the performance indicator that addressed the average number of days to close constituent complaints, the Department had projected 30 days in FY 2008 and asked why the increase over 10 days projected in FY 2007.

Mr. Maier replied that complaints were handled by one person, and the projection had been based upon numbers that were provided in 2006. He had discussed the matter with Director Elliott and stated that it was an internal issue that could be handled within the Department's staffing. Mr. Maier stated that he was confident the projections could be lowered.

Assemblywoman McClain commented that it was admirable that the Department was decreasing the General Fund dependency, but asked whether the cost allocation would have an impact on the budgets of the other divisions within the Department.

Mr. Maier informed the Subcommittee that the General Fund portion of the assessment was related to the General Fund agencies that the Department supported. The Department had consulted with both the Budget Division and the Fiscal Division of the Legislative Counsel Bureau to address the cost allocation. Mr. Maier said the Department had attempted to transfer those funds related to the volume cap distribution from the bond program to initially reduce the assessment internally as much as possible. The Department then passed the remaining costs on as an assessment to the divisions. Mr. Maier continued and said that the General Fund was based on the Governor's "two-times rule."

Ms. McClain wondered whether the Department had been paying DoIT \$112,698 over the biennium in PC/LAN [Personal Computer/Local Area Network] Technician charges.

Mr. Maier replied that the Department had been compensating DoIT \$93 an hour for the position, and it would be increased to \$95 per hour. Where the difficulty lies, according to Mr. Maier, was that the Department had no employees that were experts in information technology. Even though the position was going to be transferred to the Department, the expertise provided by DoIT was needed to guide the position and address the State's standards and policies. DoIT could not be replaced, but the Department was encountering a budgetary issue that they were attempting to address.

Ms. McClain asked if there would be a cost savings to the Department, and Ms. Elliott replied that there would be.

Dr. Hardy requested an explanation of the Governor's "two-times rule."

Mr. Maier explained that his understanding of the "two-times rule" was that agencies did not exceed the amount of General Fund that had been received for the base budget. That General Fund amount was appropriated for each year of the biennium. Therefore, the agency received two times the amount of the General Fund allocation provided for the biennium. The allocation was adjusted based upon the review by the Governor's Office and Administration of the

Department's programs and expenditures. Mr. Maier continued and stated that as part of the budget process, programs and expenditures were identified that exceeded or needed to be adjusted based upon actual strategies and performance indicators.

Chairman Beers noted that the Department had apparently not yet "pulled the impact of your 2 plus 4 percent raise and the equity increases in the enhancement unit through the allocation formula" and asked whether the Department had been approached about doing so. Mr. Maier replied that was an area that needed to be corrected with the help of staff.

Chairman Beers asked whether a budget amendment was going to be submitted, and Mr. Maier replied that it would, and the amendment would be adjusted against the assessment to the divisions.

Chairman Beers commented that the amendment would have substantial impact on the costs allocated to the non-General Fund agencies. Mr. Maier agreed that it would and said any adjustment to the General Fund would have an impact as well.

Chairman Beers asked how soon the budget amendment would be available, and Mr. Maier replied that he wanted to meet with staff and the Budget Division and then submit the amendment.

Chairman Beers stated that the Subcommittee was calculating a biennial non-General Fund impact of \$100,000 and a General Fund impact of approximately \$7,000.

Chairman Beers asked whether the requested PC/LAN Technician position was the second one for the agency. Mr. Maier replied that the present position in the Department was a contract employee and transferring the PC/LAN position from DoIT would provide only one position.

Chairman Beers inquired as to whether the Department was providing information technology services to the divisions administered by the Department of Business and Industry. Mr. Maier replied that those services were provided, within certain parameters, in conjunction with DoIT. The Division of Industrial Relations was an excellent example of a fully funded division with a full fiscal and IT staff.

Chairman Beers noted that there was an accountant 2 position being transferred to Administration from the Housing Division where there had not been enough work for the position because of low interest rates. As there had been an increase in interest rates, Chairman Beers asked whether the position in the Housing Division was experiencing more work than when the decision had been made to transfer it to the Director's office. He also wondered whether transferring an accountant 2 position would adequately fill what sounded more like a management analyst position, and, if the transfer was made, would the position need to be reclassified.

Ms. Elliott agreed that the position should be a management analyst, and she would like to work with staff and determine the procedure required to reclassify the position. Ms. Elliott said she would defer to Mr. Maier regarding the present workload for the accountant 2 position in the Housing Division.

Mr. Maier stated that he disliked using the word "transfer" because, when the budget was built, it was not the intent to actually transfer the position. The intent had been to add a position to the budget and that was offset by a position that the Housing Division was deleting. The intention had been to reflect that there was no increase in the total statewide position count. Mr. Maier said it was incorrectly reflected in the budget as a transfer, and that needed to be adjusted.

Charles L. Horsey, III, Administrator, Housing Division, stated that when interest rates began dropping and the Single Family Program was no longer as competitive as it had been, the Housing Division had begun to scale down, just as the private sector had. At almost the same time, the Division had developed an alternative structure for the bond issues and placed most of the underwriting for single-family mortgage loans in the private sector. Mr. Horsey commented that demand was increasing as the market had "softened" because of the reduction in housing prices, particularly in the affordable housing ranges. By utilizing the present bond structure, the Department would not have to add as many staff positions as had been eliminated. The particular position addressed in the budget as a transfer would not have to be replaced by the Housing Division.

Mr. Horsey said that since the creation of the Housing Division, the sale of tax-exempt mortgage revenue bonds had been utilized to place approximately 38,000 Nevada families in a home or apartment financed by the Division. However, the Governor had instructed the Division to use the experience and expertise of the agency to expand their efforts to assist specific groups, such as teachers and nurses, with financing. Mr. Horsey stated that he would be attending a training course on the "California Plan" as referenced by the Governor in his State of the State address. However, the Housing Division would not be utilizing all aspects of the plan, such as interest-only loans, and interest-only loans that incorporated variable rate mortgages. While interest-only mortgages were successful in providing home ownership to more buyers, low and moderate income families could not afford the increased payments when interest rates began rising and mortgages began to be converted into fixed-rate mortgages. Mr. Horsey commented that the Housing Division had been concerned for many years about the increase of foreclosures and delinquencies.

Assemblywoman McClain questioned what duties the eliminated accountant 2 position had performed and whether those tasks would be covered.

Mr. Horsey introduced Lon DeWeese, Chief Financial Officer, Department of Business and Industry, Housing Division, and stated he would be able to answer Ms. McClain's question.

Mr. DeWeese said the accountant 2 position that was now vacated was responsible for accounting for single-family mortgage revenue bonds. Because the structure had been changed from actually accounting for each and every individual loan to a mortgage-backed security system with ten or less big pools, or investments, the amount of work for the position had decreased. The work associated with a huge portfolio of loans had decreased by 83 percent, and that position was no longer needed, according to Mr. DeWeese.

Ms. McClain inquired as to whether the Housing Division would be using 40-year mortgages in the future.

Mr. Horsey stated the Division had been investigating the possibility of 40-year mortgages and their acceptance by the rating agencies. Mr. Horsey said he believed 40-year mortgages were a more conservative approach as compared to interest-only mortgages.

Ms. McClain commented that while 40-year mortgages sounded better than variable rates and balloon payments, it did not save the average mortgage holder much money. Mr. DeWeese stated that the savings associated with 40-year mortgages amounted to approximately \$85 per month, or over \$900 per year, for a typical buyer on a first-time home loan. While a 40-year mortgage would have more total interest payments over the entire life of the loan, most mortgages averaged less than 17 years. As a consequence, \$85 per month amounted to a substantial savings for the first-time home buyer because they would not pay the mortgage for 40 years, according to Mr. DeWeese.

Ms. McClain said she realized that, but the home buyers would not see the appreciation on their houses when they sold because they would still owe a large amount on the original principal. Mr. DeWeese said the issue was not to guarantee a capital gain, but to provide an avenue for people to purchase housing.

Mr. Horsey interjected that the Housing Division would probably limit the total number of 40-year mortgages offered, and it would be unlikely that the entire portfolio would contain 40-year mortgages.

Ms. McClain stated she was less concerned about capital gains and more concerned about the amount of money involved in a 40-year mortgage if a homeowner had to sell their property and became "upside down."

Mr. DeWeese replied that all 40-year loans were required to be submitted to the Fannie Mae program which required loan-to-value to not exceed 97 percent.

Mr. Horsey commented that the irony was that the Housing Division was as conservative as any housing finance agency in the country, and Ms. McClain's concerns were the same as the Housing Division had had all along. He also noted that there had not been a large demand from the public for 40-year mortgages.

Assemblyman Grady inquired whether the Housing Division provided assumable loans. Mr. Horsey stated that the Division was not permitted by law to perform refinancing, and all loans were to first-time buyers.

Mr. DeWeese stated that the only people able to assume a loan would be buyers who qualified originally.

DEPARTMENT OF BUSINESS AND INDUSTRY
INDUSTRIAL DEVELOPMENT BONDS (101-4683)
BUDGET PAGE B&I-129

Charles L. Horsey, III, Administrator, Department of Business and Industry, Housing Division, introduced Lon DeWeese, Chief Financial Officer, Department of Business and Industry, Housing Division, and presented Budget Account 101-4683.

Mr. Horsey explained that industrial development bonds had a very interesting history. In 1977 Congress authorized the program, and the state of Nevada

issued its first three bonds on the last day of 1982. The reason for the issuance on the last day of 1982 had been that the three projects would not have been eligible for financing the following week. When industrial development bonds were first created there was a complete "laundry list" of eligible projects. However, before Nevada began utilizing industrial development bonds, there were a number of abuses that occurred across the nation. Mr. Horsey noted that a large number of McDonald's franchises and even jails were financed by industrial development bonds. The federal tax code was changed effective January 3, 1983, making most of the projects that had been financed no longer eligible. Mr. Horsey stated that what had become eligible, giving Nevada's economy a huge boost, were manufacturing activities. The Tax Reform Act of 1986 was enacted, and because the rules became much more restrictive, the program was gutted. Over the past ten years, according to Mr. Horsey, it had become almost impossible to meet the performance indicators for the program. However, the program was beginning to attract bona fide applicants.

Mr. Horsey said that the Boyd Group had impressive plans for the Stardust Hotel and Casino property in Las Vegas and, as part of the financing for the development, there would be a \$200 million power generation component. Power generation was an area where the Industrial Development Bonds program would have the most impact. Mr. Horsey stated he and Mr. DeWeese would be meeting with the underwriters for the project, and Industrial Development Bonds would undoubtedly be the financing vehicle.

In addition, according to Mr. Horsey, there would be a state-of-the-art facility built in Storey County to convert medical waste into energy. Originally, it was intended to be a much smaller facility, but after investigating the market potential the project had been upgraded to build a larger facility.

Mr. Horsey said the role to be fulfilled in the Housing Division was to perform the "grunt work." The Director of the Department of Business and Industry would retain supervisory control and responsibilities, but the Housing Division would perform the mechanical aspects of talking with prospective applicants, reviewing applications and financing structure, and assisting in arranging credit enhancements. There was a possibility the Housing Division might participate in the public hearing process, representing the Director, but the bonds would be issued under the Director's auspices.

Mr. DeWeese informed the Subcommittee that the applications being submitted related to coffee roasting in Clark County, the Tahoe Regional Planning Association (TRPA) business building, a ready-mix concrete company, and a defense-related avionics manufacturing facility in Douglas County.

Chairman Beers commented that while that was all good news, he was more concerned with how the program would impact the budget because it was a function that had previously not been performed in the Housing Division. Chairman Beers also expressed concern over how long the Industrial Development Bonds would be handled by the Housing Division instead of the Director's Office.

Mendy K. Elliott, Director, Department of Business and Industry, explained that there was no one within the Director's Office at the present time with the ability to perform the technical analysis associated with the Industrial Development Bonds program. Additionally, there were no training funds remaining in the current biennium with which to train an employee. Ms. Elliott stated there

would be training funds available in the next biennium, and an employee of the Director's office would be sent to training in Washington, D.C. and would assume those duties when the training was completed. The responsibility for the Industrial Development Bonds program would be returned to the Director's Office in July, 2007.

Chairman Beers noted there was \$258,000 being transferred to the Director's Office to fund administrative expenses for the bond program.

William J. Maier, Administrative Services Officer, said Budget Account 4683 was confusing because it contained a couple of different issues. Budget Account 4683 was created as a trust account or special account to account for the pass-through transactions and fees related to the bond program. Mr. Maier stated application fees, bond consult fees, and financial advisor fees stayed within that budget account. What had been transferred to Director's Office was a separate function specific to the Director's Office alone, and that should have been separated from Budget Account 4683, according to Mr. Maier.

Mr. Maier directed the Subcommittee's attention to performance indicator 4 contained in Budget Account 4683, the development bond volume cap allocated statewide. For FY 2008, the amount projected was approximately \$155 million, and for FY 2009 it was approximately \$159 million. Mr. Maier said the Department received \$500 for each \$1 million distributed in the bond cap; therefore, the Director's Office received \$78,000 in FY 2008. The administrative fee related to the monorail bond was also distributed to the Director's Office and amounted to an additional \$50,000. Those funds were considered "true" revenue in response to a function performed by the Director's Office. Mr. Maier stated the bond program function did not have sufficient funds to support a position.

Chairman Beers said, hypothetically, what if bonds were sold for a transportation company that had a business plan that significantly overestimated its ridership. He asked whether the Department of Business and Industry would potentially be responsible for that miscalculation.

Mr. Horsey remarked that Chairman Beers had posed an interesting hypothetical. He continued and said there were a number of safeguards built into the program before the State of Nevada would be a participant in the issuance of bonds for a transportation facility with dubious ridership. One of the mandates was that a "mom and pop" investor could not purchase bonds in such a facility as the purchase was limited to institutional investors who received full disclosure as to the risks involved. Mr. Horsey said he could not recall a transportation facility in the world that had been successful on that scale without some type of public subsidy, and there was no public subsidy in the hypothetical.

The second safeguard in the hypothetical, according to Mr. Horsey, was that the bonds must be insured or guaranteed. In addition, the only bondholders that might be viewed as being at risk would be participants. As concerned the budget, another safeguard was built-in as funds had been set aside for legal expenses.

Chairman Beers asked whether, under the Industrial Development Bonds program, the state of Nevada issued the bonds and then contracted with the company that would use the capital, or was the State just a facilitator.

Mr. Horsey stated that with a bond of that nature there were two legal options: proceed through local government as a pass-through entity, or utilize the State's expertise. Mr. Horsey emphasized that while there were some supervisory and reporting responsibilities, the liability did not extend to the State in any way.

Mr. DeWeese stated it was his understanding that all safeguards were in place to prevent the State from assuming that type of liability. One of the safeguards in place was the fact that the Director's Office had budgetary responsibility and authority over the entity discussed.

Chairman Beers asked why there was a budget impact in the proposed budget when the normal structure with enhanced functionality would be back in place by July, 2007.

Mr. Maier responded that the addition shown in the budget was related to the funds transferred for the Volume Cap, and the Volume Cap had a built-in statutory increase.

Chairman Beers requested assurance that there was no budget impact due to the temporary lending of Housing Division supervision and responsibility to the Industrial Development Bond program. Mr. Maier stated that was correct: there was just improvement in the way the program was being handled.

DEPARTMENT OF BUSINESS AND INDUSTRY
TRANSPORTATION SERVICES AUTHORITY (226-3922)
BUDGET PAGE B&I-47

Kimberly Maxson-Rushton, Chairwoman, Transportation Services Authority (TSA), Department of Business and Industry, presented Budget Account 226-3922.

Ms. Maxson-Rushton informed the Subcommittee that the TSA presently operated under Budget Account 3922 and Budget Account 3923. Specifically, Budget Account 3922 was the administrative and operating budget. It was in large part funded exclusively from Highway Fund appropriations, whereas Budget Account 3923 was identified pursuant to both the Nevada Revised Statutes (NRS) and by the Budget Division as the enforcement budget. Funds that supported Budget Account 3923 came directly from fines.

Ms. Maxson-Rushton continued and stated that the TSA was comprised of 25 full-time employees, three of whom were gubernatorial-appointed commissioners, and 22 other staff members who operated statewide. There were two offices operated by the TSA, one in Las Vegas, Nevada and one in Reno, Nevada.

Chairman Beers voiced concerns regarding the proposed staff increase of approximately 25 percent. He inquired as to how the new positions would be funded and whether they were needed.

Ms. Maxson-Rushton referred to Enhancement Unit 326, which requested six additional positions, including one unclassified position of financial analyst and five classified positions. The classified positions were two administrative assistants, one accountant 2, one compliance auditor/investigator, and one enforcement investigator. The total expenditure for the six positions requested by the TSA and recommended by the Governor was \$374,718 in FY 2008 and \$402,857 in FY 2009.

Ms. Maxson-Rushton remarked, as a point of clarification, that the original agency request had been for five positions. The TSA had appeared before the Interim Finance Committee (IFC) in November 2006 and requested permission to re-categorize an open enforcement position to that of an accountant 2. There was no pay differential, and the change was due to the urgent conditions that the TSA was operating under at that time, according to Ms. Maxson-Rushton. The IFC, however, directed the TSA to bring the matter before the Legislature as a request for an additional position. Ms. Maxson-Rushton informed the Subcommittee that the requested positions were "back office positions."

Chairman Beers asked why the unclassified position was being counted as a new position when it was the transfer of an existing position. Ms. Maxson-Rushton explained that it was a reclassification of an existing position and reiterated the IFC directive. Chairman Beers asked whether the Accountant II position was the reclassified position, and Ms. Maxson-Rushton replied that the reclassified position had been denied. Ms. Maxson-Rushton further explained that the TSA had sought to reclassify an open position because there was urgency in the agency for additional financial assistance. At that time, Senator William Raggio had recommended that the matter be tabled and brought before the Subcommittee during the Session.

Ms. Maxson-Rushton continued her presentation and said, as she had indicated before, the TSA was now seeking six positions rather than five positions. Five of the six positions, including the accountant 2, the financial analyst, the two administrative assistants, and the compliance investigator, were to service the carriers that the TSA regulated.

Ms. Maxson-Rushton referred to performance indicator 4 in Budget Account 226-3922 and said that historically the TSA had failed to meet this performance measurement that dealt with the processing and completion of applications submitted to the TSA for consideration. The TSA had only one financial analyst, and that financial analyst's major responsibilities were to oversee filed financial applications, financial processes dealing with tariff modifications, requests for expansions of authority, modifications of authority, and new applications. In addition to those responsibilities, according to Ms. Maxson-Rushton, the TSA was required on an annual basis to perform a full financial audit of all fully regulated carriers. Ms. Maxson-Rushton emphasized that all of those responsibilities fell to one financial analyst within the agency. Currently, under the jurisdiction of the TSA, there were 284 fully regulated carriers, and the financial analyst was tasked with all of the responsibilities relevant to processing applications and the reviews.

Pursuant to the reviews of the audit, if any anomalies arose that resulted in an enforcement action, the financial analyst position would assist enforcement in any action taken against carriers. Ms. Maxson-Rushton acknowledged that type of action was infrequent, but the position required hands-on experience. Most of the work done by the financial analyst was performed in conjunction with the carriers in order to avoid administrative action against the carrier. All fully regulated carriers were required by law to maintain 20 percent equity capital in their operations at all times. According to Ms. Maxson-Rushton, there was one person within the TSA responsible for overseeing compliance by carriers, and that had been the basis for the request to the IFC to re-categorize the open enforcement position. The TSA had determined that one less enforcement position could be managed better than not having the assistance needed for the financial analyst.

Ms. Maxson-Rushton reiterated that she was seeking to strengthen the financial division of the TSA by adding the positions of financial analyst, accountant 2, and two administrative assistants. The compliance position being requested would work directly with all applicants. In addition to that responsibility, the compliance investigators also performed spot inspections on a regular schedule and serviced the carriers in order to provide them with resources and assets.

The one additional position being requested was an enforcement position, according to Ms. Maxson-Rushton. The basis for that request was the TSA, at the beginning of 2006, had performed a major restructure of the agency in order to separate operations into two functions. One of the functions centered on enforcement and was committed to eliminating illegal operators. Ms. Maxson-Rushton maintained that illegal operators were the single greatest threat to both the traveling public and the existing industry in the state of Nevada. The request was for one additional position in order to strengthen enforcement in northern Nevada.

Chairman Beers noted a one-third increase in the Transportation Fund utilization, which would be appropriated from road construction projects in Nevada, and he said he was not convinced that such an increase in the scope of the agency was warranted. Chairman Beers also stated he would be introducing a bill to remove charter buses from the regulation of the TSA because they were already fully regulated by the federal government. Ms. Maxson-Rushton replied that there was oversight by the federal government and charter buses were partially deregulated by the state of Nevada. The only oversight by the State related to charter buses and tow truck operators in the areas of safety and insurance, according to Ms. Maxson-Rushton.

Chairman Beers suggested that the workload for the TSA could change because of legislative actions being proposed during the 2007 Session. Ms. Maxson-Rushton commented that oversight of the charter bus industry was a small amount of the agency's workload.

Chairman Beers pointed out that while the use of Highway Fund revenue had increased substantially in the TSA budget, application fee revenues had remained the same from FY 2005-06, which did not indicate an increase in workload that would justify six new positions.

Ms. Maxson-Rushton said the motor carrier industry had maintained a steady growth of approximately 10 percent since the inception of the TSA in 1997. In terms of the application fee revenues showing no increase, Ms. Maxson-Rushton maintained that at the time of the establishment of the TSA in 1997 most of the larger carriers were already in existence; therefore, their application fees were usually small.

Chairman Beers asked whether the agency expected current licensing revenue to remain consistent with FY 2005-06. Ms. Maxson-Rushton replied that the fees fluctuated only to the degree that new carriers entered service. The fees fluctuated somewhat but not a great deal. For example, the current fee for a limousine was \$100 per vehicle, and in FY 2006 the revenue derived from those fees was \$144,000.

Assemblywoman McClain inquired as to what the average costs were for carriers. Ms. Maxson-Rushton responded that the annual fee was \$100 per limousine, \$75 per taxicab, \$36 per tow car operator, \$50 per warehouse, and \$10 per van pool. The current application fee was \$200 per new applicant, and there were no fees assessed against household goods movers or charter bus operators.

Chairman Beers referred to Page 53 of The Executive Budget and said it appeared that the TSA had proposed a budget that planned to substantially increase licenses and fees for licenses, but the Governor's Office had opposed that plan and had placed the revenue source in the Highway Fund. Ms. Maxson-Rushton agreed that was correct.

Assemblyman Grady noted he was new to the Subcommittee and asked when the last audit had been performed on the Transportation Services Authority.

Ms. Maxson-Rushton replied that the 2003 Legislature ordered an audit, and in 2004 that audit was performed. In 2005 the final report was submitted to the Audit Subcommittee. There were 15 recommendations noted, and the majority dealt with recordation.

Mr. Grady asked whether a financial audit of the TSA should be considered for FY 2007-08.

Ms. McClain asked what fee increases had been requested in The Executive Budget, and how much money would have been generated.

Ms. Maxson-Rushton responded that the TSA had requested authorization to increase the limousine fee from \$100 to \$250 per vehicle, increase the taxicab fee from \$75 to \$125 per vehicle, increase the tow car operator fee from \$36 to \$75 per vehicle, increase a warehouse permit from \$50 to \$100, increase a van pool permit from \$10 to \$20, and impose a new fee against moving companies and charter bus operators of \$100 per vehicle. The TSA had also requested to increase the new application fee from \$200 to \$250.

Ms. Maxson-Rushton said the revenue derived from the new proposed fee structure would have generated \$819,000.

Ms. Maxson-Rushton further stated that two statewide workshops had been held, with invited members of the industries and members of the public, in order to demonstrate the necessity for the increased fees, the basis for the requested increase in fees, the actual numbers that went into the analysis, and to determine what, if any, hardships existed within the industries. The workshops also addressed an issue related to charter bus operators. For example, companies such as Greyhound Bus Lines had huge fleets. Most of the buses operated as intrastate vehicles were designated as such, but during peak times in other states, those vehicles were used for interstate operations and moved to other states as needed. Ms. Maxson-Rushton said the TSA had asked the larger interstate operators how to assess the number of vehicles operated interstate. The TSA had worked out a system to identify those vehicles and not overtax the operators. However, according to Ms. Maxson-Rushton, consistent with the pronouncements of Governor Gibbons of "no new taxes, no new fees," the Governor had agreed to recommend for consideration the six additional positions, and, as a result, the fee request had been removed from the budget.

Chairman Beers requested the TSA provide a prioritization of the new positions to staff. Ms. Maxson-Rushton stated the priority would be one financial analyst and one Accountant II.

Chairman Beers commented that an increase in the number of licenses and licensees rather than an increase in license fees would lead to an increase in license revenue, and asked whether the TSA would be submitting a budget revision. Ms. Maxson-Rushton replied that the TSA was a state agency within the Executive Branch of government and, as such, followed the recommendation set forth by the Governor.

Ms. McClain asked whether sworn peace officers carried guns, and Ms. Maxson-Rushton replied that the enforcement officers were category two sworn peace officers and, in that capacity, carried guns.

DEPARTMENT OF BUSINESS AND INDUSTRY-TRANSPORTATION SERVICES
AUTHORITY ADMINISTRATION FINES (226-3923)
BUDGET PAGE B&I-55

Kimberly Maxson-Rushton, Chairman, Transportation Services Authority (TSA), Department of Business and Industry, presented Budget Account 3923.

Ms. Maxson-Rushton said that pursuant to Chapter 706 of the Nevada Revised Statutes (NRS), Budget Account 3923 was designated as the enforcement account. The funding for Budget Account 3923 came directly from fines assessed pursuant to administrative citations issued either for statutory or regulatory violations. Ms. Maxson-Rushton referred to Page 55 of The Executive Budget and stated the balance forward from the previous year was \$191,746 and the anticipated fines were \$147,000.

Senator Coffin requested an example of a typical offense and the amount of the fine for that offense.

Ms. Maxson-Rushton replied that pursuant to Chapter 706 of the NRS, the TSA had the authority to assess an administrative fine of up to \$10,000 for violations. The majority of the citations by the TSA dealt with illegal operators. According to Ms. Maxson-Rushton, in 2006 enforcement resources were dedicated to eradicating illegal operators within the state of Nevada. The majority of fines that fell within the authority of Budget Account 3923 came from illegal operators. When an illegal operator was identified, two actions took place: the vehicle was impounded, and a hearing was held within 48 hours because property had been taken. Ms. Maxson-Rushton acknowledged that illegal operators received the harsher fines because NRS 706.386 mandated that operators providing commercial transportation within Nevada were required to obtain a Certificate of Public Convenience and Necessity as authorized by the State. Other citations that were commonly issued went against drivers, frequently for illegal solicitations, and those fines ranged from \$50 to \$200.

Senator Coffin inquired as to whether any fines were derived from safety violations. Ms. Maxson-Rushton replied the focus on illegal operators was the safety factor for the traveling public. As a result of issues raised in 2005, Ms. Maxson-Rushton indicated there had been a redirection of the TSA regarding its interaction with the certificated carriers under its jurisdiction. The objective was to work with carriers rather than punish them. Only in egregious circumstances were carriers brought before a hearing officer with respect to a safety citation or violation. Ms. Maxson-Rushton said, in those cases, the fines

were usually nominal because imposing fines did not help a carrier to become safer. What helped was to advise and work with them about their deficiencies, and then get them back on the street.

Senator Coffin commented that it appeared there was a willingness on the part of the carriers to pay more fees, and he asked what source of funding was being used instead of increasing fees.

Ms. Maxson-Rushton referred to Page 47 of The Executive Budget and said there were various licensing fees assessed by the TSA. There had been some consideration with respect to raising those fees, and there had been industry support for increases, according to Ms. Maxson-Rushton. Senator Coffin asked whether the TSA had submitted a request to raise fees in their budget, but the Budget Division had deleted the request. Ms. Maxson-Rushton replied it had been decided after discussion that the TSA would request six additional positions and request funding from the Highway Fund without increasing fees.

Assemblyman Hardy inquired about the Canamex Corridor Coalition, the system of transporting goods, services, people, and information, between Mexico, the United States, and Canada, and asked if the TSA had any jurisdiction as they traveled through southern Nevada. Ms. Maxson-Rushton replied that function would be classified as interstate transportation, and the TSA jurisdiction was limited to intrastate transportation only. If an operation originated outside Nevada, and the carrier had the proper United States Department of Transportation (USDOT) authority, it never fell under the jurisdiction of the TSA.

Chairman Beers asked why uniforms had been purchased without authority in FY 2005-06 with proceeds from fines and licensing fees. Ms. Maxson-Rushton directed the attention of the Subcommittee to Page 56 of The Executive Budget, Enhancement Unit 250, a new-line item request for uniforms for enforcement personnel. The request was for the amount of \$362 to provide all compliance and enforcement investigators with long-sleeve, embroidered shirts so they could be recognized while in the field as a Nevada peace officer. The shirts were primarily for the officer's protection, but also for the assurances of the general public. According to Ms. Maxson-Rushton, the agency strictly followed procedure, submitted the requisite requests for uniforms, and were later informed that the agency did not have the authority to order uniforms.

Assemblyman Parks asked whether the compliance officers and enforcement officers were required to be in uniform while performing their duties.

Ms. Maxson-Rushton responded by stating that officers working in the field were required to wear identifying clothing. The clothing could be a windbreaker, a winter jacket, or a long-sleeved or polo shirt that identified the agency.

Ms. Maxson-Rushton noted that most clothing was recycled because of staff turnover, resulting in the low cost for the requested uniform allowance.

Chairman Beers said that there was no uniform allowance funding for the two new requested positions, and he requested a budget amendment to account for the revenue from the expected increase in the number of the agency's licensees in order to accommodate the new officers, should they be approved by the Legislature. Ms. Maxson-Rushton responded that a breakdown of those figures had been provided to staff.

Chairman Beers recessed the meeting at 9:39 a.m. and reconvened at 9:54 a.m.

DEPARTMENT OF BUSINESS AND INDUSTRY-TRANSPORTATION SERVICES
TAXICAB AUTHORITY (245-4130)
BUDGET PAGE B&I-225

Chairman Beers commented that the main concern of the Subcommittee regarding Budget Account 4130 had been the decline in reserves.

Richard B. Land, Administrator, Taxicab Authority, Department of Business and Industry, presented Budget Account 4130. Mr. Land stated there were 2,500 cabs in the taxicab fleet, with 2,120 medallions permanently issued, and 6,003 licensed drivers. When major events or conventions occurred, the Taxicab Authority Board had the authority to issue extra temporary medallions for a specific event and time frame. The Taxicab Authority Board had five members appointed by the Governor for three-year terms. The Taxicab Authority was a self-funded agency, collecting 20 cents per trip from each fare.

Mr. Land introduced Kenneth Mangum, Administrative Services Officer (ASO), Taxicab Authority, Department of Business and Industry.

Mr. Mangum stated that toward the end of FY 2008-09 the budget projections showed that the Taxicab Authority reserve would be approximately \$365,000. Over the past five years; the Taxicab Authority had been experiencing a growth rate of approximately 6 percent. In the past year that growth rate had declined to between 1.5 percent and 2.5 percent. Mr. Mangum stated the budget had been prepared based upon a 2.5 percent growth rate; however, if there was additional growth, the reserve should adjust and demonstrate that growth. According to Mr. Mangum, if the anticipated growth did not occur, other means of meeting the budget would have to be investigated.

Chairman Beers said the Subcommittee would be interested in the growth rate projection increasing because a decision would have to be reached regarding the reserve in Budget Account 4130 by the end of four months. Chairman Beers requested suggestions as to what could be done to either the revenue or budget to increase the reserve.

Mr. Mangum commented that in the month of February 2007 the growth rate had been just over 3 percent, therefore, some increase in growth was being charted. The first major request in Budget Account 4130 was a three-grade pay increase for the agency's 36 sworn peace officers. Mr. Mangum said the agency was having difficulty with retention and currently had six open positions. Three people had been sent to Peace Officers Standards and Training (POST) and, within less than one year, all three officers had left to go to positions that paid more.

The second major request in the Budget Account 4130 was for increased funding for growth in the Senior Ride program. Mr. Mangum noted that seniors were receiving \$20 booklets for the purchase price of \$10, and on an average cab ride, that was enough to get a senior to a doctor and back. Currently the average taxicab ride in Las Vegas was \$11.40. Mr. Mangum said those two requests comprised the main points of the budget.

Mr. Mangum informed the Subcommittee that Mr. Land, the Administrator for the Taxicab Authority, had made great strides in working with the certificate holders and the Las Vegas Convention and Visitors Authority in resolving issues

that had occurred in the past. The last two large conventions had seen a turnaround with far fewer complaints. Mr. Mangum said that approximately 90 percent of the agency's revenue came from the 20 cents assessed on each taxicab trip.

Chairman Beers asked whether the Senior Ride funding level was statutory, and Mr. Mangum replied that it was not. Chairman Beers asked whether there was a formula, and Mr. Mangum said the statute stated excess revenues above the \$200,000 reserve could be used. Chairman Beers asked whether Mr. Mangum knew when that statute had been written, and Mr. Mangum replied that he did not.

Assemblywoman McClain stated she recalled legislation that would impose an extra 5-cent charge on each taxicab trip to be used for the Senior Ride program. Mr. Mangum explained that the 5-cent charge was for the Taxicab Authority to be able to increase their reserve, but because the Governor had authorized no new taxes, it had been removed. A 5-cent increase in the drop fee would give the Taxicab Authority approximately \$1 million in revenue.

Ms. McClain asked whether the 5 cents was included in the present 20-cent drop fee, and Mr. Mangum stated that was correct. Mr. Mangum commented that any funds received from within the industry, such as the business license fees from Clark County, the medallion fee from the certificate holders, and any revenues generated by the courts, were all fund-mapped to the Senior Ride program. Ms. McClain noted that if reserves dropped below \$200,000 the Senior Ride program would not get any revenue, and Mr. Mangum agreed.

Ms. McClain requested a breakdown on fees and where they were distributed. Mr. Mangum explained that the assessment fees were business license fees, and the agency received approximately \$75,000 per year from Clark County. The \$100 medallion fee gave the operator the ability to operate a taxicab in Clark County and amounted to approximately \$266,000 per year. Mr. Mangum said the agency was generating just over \$200,000 per year in revenue through the courts. Ms. McClain asked whether those funds were distributed to the Senior Ride program, and Mr. Mangum stated that they were fund-mapped to the program.

Chairman Beers requested an explanation of the new position requested in Enhancement Unit 326. Mr. Mangum explained that the requested position for a Public Safety Dispatcher IV was a working supervisory position. The agency currently had four Public Safety Dispatcher III positions who answered directly to the day shift senior investigator. If any employee became ill or went on vacation, that position had to be filled with other staff. The requested position would create a direct line supervisor for the public safety dispatcher 3 positions, and the supervisor position would answer to the Chief Investigator. Mr. Mangum said the added position would provide some flexibility with sick leave and vacation time because the Public Safety Dispatcher IV would fill in for those positions. Mr. Mangum added that the agency currently spent approximately \$46,000 in overtime, and much of that was spent covering dispatch positions.

Chairman Beers observed that Enhancement Unit 326 did not appear to contain a reduction in overtime expenses, and Mr. Mangum explained that the agency had budgeted both ways in case the new position was not approved. If the new position was not approved, overtime would still need to be paid.

Chairman Beers asked whether the agency would be submitting an amendment to reduce overtime if the new position was approved, and Mr. Mangum stated that was correct.

Chairman Beers restated for clarification that the agency currently employed 4 dispatchers, was manned 24/7, and rather than add a fifth dispatcher, a supervisor for the existing dispatchers was being requested. Mr. Mangum agreed, but pointed out that the supervisory position was a working position and would also perform dispatch duties.

Chairman Beers asked how the shifts were supervised at the current time. Mr. Mangum responded that the senior investigator on day shift handled the supervision. Chairman Beers wondered how the graveyard shift was supervised. Mr. Mangum explained that the supervisor had an overlap of 1 hour on the graveyard and swing shifts because he worked a 10-hour day, and the dispatchers worked 8-hour days.

Ms. McClain inquired whether computer replacement was on the recommended 4-year cycle, and Mr. Mangum replied that it was. Ms. McClain also asked if the sworn peace officers were category II officers who carried weapons and wore uniforms, and Mr. Mangum stated that was correct and added the agency had both marked and unmarked vehicles.

Senator Rhoads commented that he traveled quite often, and in his opinion, Las Vegas had the highest taxicab fees of anyplace he had ever been. He further inquired about any statistics available concerning taxicab rates in major cities in the United States, and where Las Vegas ranked. Mr. Land explained that Las Vegas ranked 11th in the nation regarding rates. Mr. Mangum added that Las Vegas had previously ranked as high as number three, but in the past two years, Las Vegas had fallen out of the top ten.

Chairman Beers closed the hearing on Budget Account 4130 and opened the hearing on Budget Account 3823.

DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE ADMINISTRATION (101-3823)
BUDGET PAGE B&I-90

Chairman Beers requested that any discussion of the Real Estate Education and Research and Real Estate Recovery accounts be presented only if time became available and that the presentation be confined to Real Estate Administration and Common Interest Communities. He further requested an explanation about the reduction in test fee revenue.

Gail J. Anderson, Administrator, Real Estate Division, Department of Business and Industry, provided an overview of the information contained in the handout ([Exhibit C](#)).

Ms. Anderson stated that projections for the examination fees, as also seen in the supplemental performance indicators, was projected to reduce and flatten, which was simply a projection "to not see" the same rate of growth. The testing fees were for applicants to obtain new licenses and permits. The Division had seen extraordinary growth in 2004, 2005, and 2006, but a flattening in new applications and examination fees had been anticipated. Ms. Anderson said, if the Chairman was referring specifically to category 28, which was the reversion, she could address that: category 28 in Budget

Account 3823 was the category where the Real Estate Division made quarterly reversions to the General Fund for the profits from the testing service. Ms. Anderson said a correction needed to be made in that category, and the Division was going to work with staff to make that correction as the projection was \$501,000, each year, which was significant.

Chairman Beers stated the Subcommittee was pleased to hear that, but the specific issue was that the Economic Forum and the Division did not seem to be using the same figures and asked whether the Division could shed some light on that discrepancy. Ms. Anderson requested clarification of the question.

Chairman Beers explained that The Executive Budget recommended a reduction in transfers to the General Fund from \$642,378 in FY 2005-06 to \$141,069 in each year of the 2007-09 biennium. However, the Economic Forum forecast transfers to the General Fund in the amount of \$592,200 in each year of the biennium. Chairman Beers asked why those figures did not agree. Ms. Anderson responded that the \$141,069 figure was not correct, and the Division's amended projection was \$501,000. She said the Division still needed to examine the Economic Forum's projection of \$592,200. Chairman Beers asked whether the Division was acknowledging the issue and would provide amended figures, and Ms. Anderson said they would.

Chairman Beers asked whether there had been an improvement in the long waiting lines at the Las Vegas office. Ms. Anderson stated the lines were much improved. The 2005 Legislature had approved remodeling the licensing counter to accommodate four workstations and, with the new data system, transactions could be tracked both in person and through the mail. In 2006 over 28,000 walk-in customers had visited the Las Vegas office, and according to Ms. Anderson, the office was on track to exceed 30,000 walk-in customers in 2007. Enhancement Unit 325 requested three new administrative assistant positions for the licensing section.

Assemblywoman McClain inquired about the requested Program Officer II position to assist the [Real Estate] Projects Chief. She said the Division had projected timeshare filing fees of \$217,000, but the Governor had projected \$245,000, and the actual fees for FY 2005-06 had been \$284,506. She wondered why the Division needed another position. Ms. Anderson replied that some filing fees went directly into the Administrative Budget Account, but Land Company filing fees went into the General Fund. Two revenue sources in the program went into two different budget accounts. Ms. Anderson stated the requested Program Officer II position would create a higher level program authority to provide direct assistance and backup to the Projects Chief. One of the problem areas, according to Ms. Anderson, was that no one other than the Real Estate Education section was working with pre-licensing and continuing education in the Timeshare Sales Agents program, which had been an area of considerable activity. A regulation had been adopted to expedite a temporary license for the Timeshare Sales Agents program.

In answer to a question from Ms. McClain as to who had adopted that regulation, Ms. Anderson stated she had adopted it and the regulation would be going to the appropriate legislative subcommittee for review. Ms. Anderson stated that as Administrator she had initiated a limited license after considerable industry input and a request for consideration of that alternative. The Legislative Counsel Bureau (LCB) had determined this created a new license, and therefore the timeshare industry was working to have a bill submitted that would create a limited license with restrictions. Ms. Anderson further stated

the Program Officer II position would work with the Projects Chief to research and verify information submitted with the filings and would also perform some duties currently being performed by the Projects Chief.

Ms. Anderson stated that the advent of high-rise condominiums in the state was increasing the need for site visits and to work with developers. Having a person who could work in the field was one of the major functions of the requested Program Officer II.

Ms. McClain inquired as to why the position would be funded with General Fund dollars and not fees. Ms. Anderson explained that the position could probably be funded from revenues from the Timeshare Sales Agents program, but that would require some "remapping" of funds.

Chairman Beers asked about cost allocation, what expenses were being allocated, and why a portion of the salary increases was not being covered. Ms. Anderson responded that the cost allocation plan currently covered nine positions and received allocations from the Common Interest Communities budget and the Education and Research budget. The additional deputy administrator position did have a cost allocation from the Common Interest Communities program and the Education program. The other requested staffing did not work that broadly across the board, according to Ms. Anderson. The nine positions currently in the cost allocation plan either had direct supervision of the program, or performed direct responsibilities within the program. The agency considered the number of people supervised and the complexity of the program in the allocation plan. The licensing section did not have anything to do with real estate education; therefore, licensing did not receive a cost allocation from that account. However, there was a cost allocation for the licensing manager from Budget Account 3820, Common Interest Communities, because that individual performed all of the license denial appeals presented to the Commission, and directly supervised the complexities of licensing community managers.

Chairman Beers asked whether rents and utilities were cost allocated, and Ms. Anderson replied those costs were allocated from Budget Account 3820.

Chairman Beers stated for clarification that it appeared that the increase in the allocation in the budget from \$287,000 to \$343,000 was due to the additional new positions, and Ms. Anderson stated that was correct. Chairman Beers requested a spreadsheet, and Ms. Anderson stated the agency would provide one.

Chairman Beers noted that it did not appear that the fringe and salary adjustments in Decision Unit M300, Decision Unit M304, and Decision Unit E813 had been included in the cost allocation formula. Ms. Anderson stated that the agency would review those figures with staff, because the cost allocation was based on salary and benefits.

Chairman Beers asked about the agency's computers, and Ms. Anderson replied the computers were on a five-year replacement schedule. Chairman Beers inquired as to how the agency's information technology needs were met, and Ms. Anderson stated that currently the IT position was vacant and was in urgent need of being filled. The agency also utilized the services of the Director's Office.

DEPARTMENT OF BUSINESS AND INDUSTRY
COMMON INTEREST COMMUNITIES (101-3820)
BUDGET PAGE B&I-107

Gail J. Anderson, Administrator, Real Estate Division, Department of Business and Industry, presented Budget Account 101-3820.

Ms. Anderson stated that Decision Unit E325 detailed a program that the Commission for Common Interest Communities had established through the Interim Finance Committee (IFC) and through adoption of regulations in FY 2006 to contract for an Administrative Law Judge (ALJ) program. The Commission had interviewed and contracted with five licensed Nevada attorneys to serve as hearing officers in the new program. Ms. Anderson said one of the continual pressures of the program was to resolve disputes in a timely and expeditious manner.

The ALJ program, according to Ms. Anderson, was a program that handled disputes that did not require the State to allege violations of law and prosecute those violations through the Attorney General's office. The Commission had granted the ALJ program authority to hear certain disputes, but the Commission would be monitoring and tracking the program, as well as reviewing all orders and findings. Ms. Anderson stated the ALJ program was one of the key programs to resolve disputes in a timely manner.

Ms. Anderson referred to Enhancement Unit 326 which requested two additional compliance investigator 2 positions, one to be located in Carson City and the other for the Las Vegas office. The agency still had a backlog of cases that needed to be processed and high turnover in the investigative positions. Ms. Anderson stated, with the addition of the Ombudsman and the conferencing program, a 48 to 50 percent resolution rate was occurring at the conferencing level. When a dispute was not resolved at the Ombudsman level, it was forwarded to investigation for a determination of whether the case should go to the ALJ program or to the State. Currently, there was one investigator in the Carson City office, and there was a need for two more Compliance Investigator II positions. Ms. Anderson said, if the Compliance Investigator was out of the office for any reason, there was no one to answer phones or deal with walk-ins.

Assemblywoman McClain asked whether the reserves in Budget Account 3820 would remain sufficient with the addition of the new positions since there had already been an approximately 70 percent decline in the reserve balance. Ms. Anderson replied that the reserve figures were being monitored very closely by the Commission. One of the remedies being considered was to raise the legislative cap on the per-unit fee in FY 2009. Ms. Anderson said the other item being considered was the addition of units because, when units were added, the fees increased as well.

Ms. McClain asked if all the high rise buildings being constructed were condominiums or time shares. Ms. Anderson explained that time shares did not pay unit fees, as they were exempt, but condominiums would. Ms. McClain wondered how many of the building projects in southern Nevada were actually condominiums that would pay the unit fee. Ms. Anderson said there were approximately 12 current projects that would pay the unit fee.

In answer to a question from Chairman Beers, Ms. Anderson responded that the agency had no control over the Attorney General cost allocation, but the Attorney General's services had been utilized quite often.

Chairman Beers asked whether the agency would use fewer Attorney General resources if the ALJ program and the requested new positions were approved. Ms. Anderson said it was anticipated that the ALJ program would provide some relief from attorney review.

Chairman Beers stated that either \$500,000 per year would have to be cut from Budget Account 3820 by reducing expenses, or \$500,000 per year of additional revenue would have to be located, in order to repair the declining reserve.

Chairman Beers adjourned the meeting at 10:44 a.m.

RESPECTFULLY SUBMITTED:

Anne Bowen
Committee Secretary

APPROVED BY:

Senator Bob Beers, Chairman

DATE: _____

Assemblywoman Kathy McClain, Chairwoman

DATE: _____

EXHIBITS			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government</u>			
Date: <u>February 8, 2007</u>		Time of Meeting: <u>8:00 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest Sign-in Sheet
	C	Gail Anderson, Real Estate Division	Real Estate Licensees