MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Fourth Session
February 9, 2007

The Committee on Ways and Means was called to order by Chairman Morse Arberry Jr. at 8:08 a.m., on Friday, February 9, 2007, in Room 3137 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).

COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Ms. Sheila Leslie, Vice Chairwoman
Ms. Barbara E. Buckley
Mr. Mo Denis
Mrs. Heidi S. Gansert
Mr. Tom Grady
Dr. Joseph P. (Joe) Hardy
Mr. Joseph Hogan
Mrs. Ellen Koivisto
Mr. John W. Marvel
Ms. Kathy McClain
Mr. David R. Parks
Mrs. Debbie Smith
Ms. Valerie E. Weber

STAFF MEMBERS PRESENT:

Mark W. Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Todd Myler, Committee Secretary
Patricia Adams, Committee Assistant

Chairman Morse Arberry, Jr. recognized Mr. Tim Rubald, Executive Director of the Nevada Commission on Economic Development (NCED).

Mr. Rubald began his testimony with an overview of economic development stating that it was a process and not an event. He said that it took significant amounts of time to develop the programs NCED works on throughout the year.

Mr. Rubald referred to a booklet (Exhibit C) NCED prepared for the budget presentation and then began an agency overview.

Mr. Rubald stated that NCED was chaired by Lieutenant Governor Brian Krolicki with six other Commission members appointed by the Governor; namely Sarah Beth Brown, Vice Chairwoman; Leroy Goodman, representing rural areas of Nevada; Peter Thomas; Phillip Peckman; Otto Merida; and Patty Wade.

Mr. Rubald mentioned the four budget accounts NCED administered, Budget Account (BA) 1526—Economic Development, BA 1527—Nevada Film Office, BA 1528—Rural Community Development, and BA 4867—Procurement Outreach Program. He stated that NCED had 32 full time employees, with 22 in Carson City and 10 in Las Vegas.

COMMISSION ON ECONOMIC DEVELOPMENT
COMMISSION ON ECONOMIC DEVELOPMENT (101-1526)
BUDGET PAGE – ECON DEV & TOURISM – 1

Mr. Rubald said that NCED focused on assisting existing small businesses throughout Nevada. A small amount of NCED's activities and resources were used for recruitment of new businesses. When recruiting, however, NCED was always very discerning, and focused on businesses that would create primary jobs, or in other words, jobs that would bring fresh money into Nevada. The NCED always worked with companies that paid wages above the statewide average. The Department of Employment, Training, and Rehabilitation determined the average statewide wage to be $18.12 per hour.

Mr. Rubald then pointed the Committee's attention to page three of the handout, which contained information regarding an incentive program that had been in place for some time. NCED has enjoyed success with this program, allowing the agency to remain competitive with thousands of other agencies, luring new business to Nevada and retaining existing businesses which were already here. He continued by saying that when a business looks to expand, NCED considered it an "at-risk" business. This was because if NCED was unable to meet every need that an "at-risk" business had, whether financial need, space need, and so forth, there would be multiple other agencies from other states or jurisdictions that would then step in and compete for their business to relocate. The Commission had seen outsourcing in many manufacturing jobs throughout the United States over the past few years and was very proud that Nevada was the only state in the country that had increased its manufacturing jobs over the last two years.

Mr. Rubald continued by alluding to information on pages 4 and 5 about the incentive program, with results posted on pages 6 and 7. He stated that the incentive program exists because of competition. It allowed NCED to remain competitive with the other agencies they dealt with on a daily basis.

Mr. Rubald then turned to page 8 of the presentation, explaining that the results for FY 2005 and FY 2006 reflected that the companies which applied for and received incentives created over 3,800 jobs throughout Nevada. Those jobs had an average wage of $21.29 per hour, while the statewide average for those years was $16.49 per hour and $17.34 per hour, respectively. The impact of these jobs was significant on the statewide economy. In FY 2005, $572 million of new payroll dollars were paid out from those primary jobs that were created as a result of the incentive program. This figure did not include jobs that kept money moving through the economy normally associated with expansion, such as construction and retail jobs. The incentive program focused instead on bringing new money into the state of Nevada.

Mr. Rubald pointed out that in FY 2005, or the first year that these new companies operated in Nevada, over $50 million in mainly local tax revenue was generated. One of the things that NCED looked at, though the agency did not count jobs created, was what amount of construction revenues and payroll was generated by these jobs. Construction was responsible for somewhere between 25 and 33 percent of the overall number of jobs within the State economy.

It was important to maintain these jobs as a side benefit to what NCED was trying to accomplish. He then referred to a figure in the handout on page 8 of $117 million generated in construction as a result of new companies coming into Nevada.

Mr. Rubald also mentioned a figure at the bottom of page 8 of $7.85 of payroll generated for each dollar spent in incentives. When NCED provided property tax abatements to companies, it was difficult to provide calculations because there were three different figures in the property tax bill that could change annually. As a result, a comparative analysis was conducted in order to give the NCED Commissioners, who decide which companies merit a property tax incentive, a calculation to determine whether property taxes were too high or too low so that a better decision could be made about what incentive might be offered. Using that comparative analysis, Mr. Rubald concluded that NCED generated nearly eight times more payroll dollars than were invested in the incentive program. He said that most states would have been extremely pleased with one payroll dollar generated for every dollar in incentives. The Commission was very proud of this figure, and Mr. Rubald believed that it showed the judicious nature of how NCED used the incentive programs.

Mr. Rubald then pointed out that pages 9 through 13 contained lists of all the companies that NCED had worked with and where those companies hailed from, where they conducted business in Nevada, and what type of business they were. He said these were companies that NCED and 13 other development authorities had partnered with throughout the state. The companies listed were reported to NCED by those development authorities.

Mr. Rubald next turned to page 14 of the handout which began an overview of some of the additional programs that NCED worked with, starting with the Made in Nevada program. This program had been administered by NCED for approximately nine years, having been transferred out of the Department of Business and Industry by the Legislature. Apparently, this program was not adequately utilized until the last couple of years. Mr. Rubald cited the program had taken off under NCED management. He explained that this program was aimed at helping "Mom and Pop" businesses throughout Nevada by offering marketing assistance in the areas of Internet and print media. He then stated that the Committee would have an opportunity to meet and speak with many of the participants in the Made in Nevada program because of the upcoming Made in Nevada Day, which would take place later in the session. This program was also one which NCED spent little General Fund money on because it was membership-based, with annual fees between $50 and $500, depending on the level of participation of the individual members.

Mr. Rubald continued on page 14 with an overview of global trade and investment. He explained that the global market had made the world smaller. The Commission's volunteer program worked with business people who represented different countries, having received awards for their efforts from several national organizations. Nevada had increased exports three times in the last four years. This ranked Nevada number one or two in growth of exports in the nation, depending on which documentation was used. For example, a lady in Eureka made specialty pet food and wanted to more aggressively market her products. She had read some information about the different programs available through NCED that could help her with global trade and teach her how to export. She contacted the office and currently was exporting over $1 million of product out of the country.

Mr. Rubald then moved on to page 15 and described the Office of Diplomatic Relations and Protocol, which was housed at NCED and dealt with helping people deal more appropriately with other cultures. This was very critical and anyone in the State was welcome to utilize this office. Mr. Rubald said that anytime one of the legislators were to meet with a foreign official, the office would be able to assist with providing information about what to do and what not to do. He cited an example of a recent meeting he had with individuals from China who were provided gifts he selected. Beforehand, however, Gayle Anderson, manager of the Office of Diplomatic Relations and Protocol, explained that giving clocks to the individuals from China could potentially offend them. Mr. Rubald ended up giving them a Nevada book instead. Mr. Rubald commented that the information the office maintained could save embarrassment and welcomed the utilization of the office anytime.

The Office of Diplomatic Relations and Protocol also administered the Nevada Consular Corps program. This was primarily a volunteer program with an arduous screening process with the country to be represented and also with the United States Department of State. This corps had nineteen members, representing nineteen different countries, only one of whom was paid. These individuals assisted foreigners with difficult circumstances that could arise while traveling, for instance getting in an auto accident, being hospitalized, or being placed in jail. These kinds of things were critical issues to the traveler, their families, and perhaps their country. These consulars had the ability to look into the situation and assist in resolving any problem. Mr. Rubald then mentioned a bus accident on U.S. Highway 395, in which about 15 or 20 foreign tourists were hurt. The consular representing their country helped provide translation services and also helped the injured receive necessary medical care.

Mr. Rubald then began discussing NCED's marketing program, beginning on page 15 of the handout. He stated that this program accomplished a significant amount while only receiving about a half million dollars in the budget. For example, NCED proposed to continue their cooperative advertising, which consisted of a group of partners through the Nevada Development Authority (NDA), the Economic Development Authority of Western Nevada (EDAWN), the Northern Nevada Development Authority, and Sierra Pacific Power Company, pooling funding in the amount of roughly $560,000 to buy media and create ads. The partnership leveraged the funds to receive approximately $2.67 million worth of media coverage. The focus of the program was not generating leads, rather ensuring that NCED's target market was aware that Nevada was a great place to do business. NCED did this in order to leverage scarce marketing dollars. Mr. Rubald then drew the Committee's attention to page 17 of the handout, which contained a print ad the cooperative partnership produced. He also said that some similar billboards were produced, along with some building wraps.

Mr. Rubald continued by reviewing some of the NCED special projects, which were addressed on the top of page 18 of the handout. During the current biennium, NCED hosted an alternative energy conference. Last year, the conference was held in Elko, with over 200 attendees. Alternative energy was a key strategy in many of their rural programs, and was something that could create a very strong tax base for rural communities. The jobs created in alternative energy field, though not many, were well-paying and funded by money that came from outside Nevada.

Continuing on page 18, Mr. Rubald moved on to address rural economic development. With changes in funding formulas and with the additional grant funding provided by the Legislature during the 73rd Legislative Session, NCED was able to focus more on the rural areas of Nevada. The Local Economic Development Fund totaled $995,000, which was also contained in The Executive Budget on page ECON DEV & TOURISM - 2. This money was incorrectly included as part of the Grants to Development Authorities line item, according to Mr. Rubald. He asserted that it would be more administratively useful to separate it from the other funding included as part of that line item that was geared toward urban development. If the language in the appropriation from the 73rd Legislative Session was to be followed for EDAWN and NDA, the rules outlined for those particular grant programs were different than the Local Economic Development Fund. He asked the Committee whether that error could be corrected. One other program had been listed separately, the NDA-Innercity Economic Development Program, because of its different set of rules.

The Nevada Economic Development Fund was also created by the Legislature during the 73rd Legislative Session. This was a $3.5 million fund with $3 million set aside for the rural communities and $500,000 set aside for urban communities with blighted areas. Currently, NCED had already committed the $3 million for projects in rural Nevada. These projects needed time to come to fruition.

Page 19 contained a list of how the Local Economic Development Fund ($995,000) was used, some of which paid administrative costs of development authorities. The table on page 19 listed the different economic development authorities and the projects this money funded. Some were competitive grant funds, and some were administrative grant funds.

Mr. Rubald moved on to page 20, beginning with an overview of the Nevada Economic Development Fund, or the $3.5 million mentioned earlier. The Commission promulgated regulations for the processing of these monies. Different entities were eligible for these funds, including local governments and other agencies concerned with economic development, not just the development authorities. The Commission had worked with many agencies and had fully committed the $3 million earmarked for rural communities. The NCED had also committed approximately $150,000 of the $500,000 intended for blighted urban areas. The Commission had an agenda item on its February 21, 2007 meeting to discuss committing another $250,000 of that fund. Mr. Rubald then cited page 21 of the handout to outline the projects NCED had awarded grant monies to on a competitive basis. He noted that of the $3 million available, NCED received over $9 million in applications, and it was challenging for NCED to make the most appropriate awards.

Mr. Rubald continued by noting that NCED had received $500,000 in special appropriations in each year of the current biennium for rural counties whose economies were impacted by mining. The NCED had already distributed $500,000 to the Northeastern Nevada Regional Railport, and the other $500,000 would be distributed within the following four months. Mr. Rubald discussed another $1 million request, $500,000 annually, that was removed from NDA's last budget for a group to be created in the west part of the Las Vegas Valley. The Latin Chamber of Commerce and the Urban Chamber of Commerce worked together to form the Valley Center Opportunity Zone (VCOZ). This organization had been functioning since fall of 2006 and had a number of projects submitted for consideration. With regard to the $500,000 for blighted areas in the urban portion of Nevada, that money was to be awarded through VCOZ.

Chairman Morse Arberry, Jr. then asked about a transfer of unclaimed properties in The Executive Budget, amounting to $10 million in a bond program.

Lieutenant Governor Brian Krolicki addressed this issue for the Committee, beginning with an overview of this program. This concept had been discussed two years previously. Because unclaimed property revenues were not traditional General Fund monies collected through taxes, there were legal flexibilities in public/private partnerships. He stated this money could leverage unclaimed property monies into a partnership using models from Georgia and other places. The partnership would utilize intellectual resources at the University System, other research facilities, and business resources to bring some of the best minds in the country to Nevada. For example, the Georgia Research Alliance was the model discussed by the Nevada Taxpayers' Association, NDA, and other development authorities as a way to bring various entities together and attract a critical mass of resources to a community. The partnership would then use the best of what was available, like the Desert Research Institute and the Harry Reid Technology Center at UNLV to develop studies, ultimately to bring in federal monies, training teams, and job opportunities for Millennium Scholars. Mr. Krolicki asserted that this environment would promote its own development, noting that Silicon Valley started in a garage.

He believed this could happen in Nevada to create higher-end, well-paying jobs that would diversify the economy and move the State's economy outside its traditional roles. The envisioned legislation was written to use $5 million annually from unclaimed property, thus allowing access to approximately $50 million of funding. This would be used to "jump start" this program in order to begin the long process of developing the economy at the highest level and keep Millennium Scholars in Nevada. He stated that this was forward-thinking and something that had benefited the Atlanta, Georgia area, which used the Georgia University System, the Center for Disease Control, and the American Cancer Society, thus creating an economic phenomenon. He claimed this could happen in Nevada, especially considering the favorable tax and regulatory environment and Nevada's excellent location for distribution.

Chairman Arberry asked Mr. Krolicki to provide the prior information to the Committee Staff in a narrative form, to which he responded that a Bill Draft Request had been formulated. Chairman Arberry then requested that he provide more detail about the intent of the program.

Assemblyman Marvel asked how stable the unclaimed property fund was.

Mr. Krolicki stated that though somewhat cyclical, the fund was fairly stable, emphasizing that the first goal of the fund was to find the rightful owners of the property with roughly one-third of the fund ultimately making it back to the rightful owners or heirs. This constituted a base of between $20 million and $22 million that eventually diverted into the General Fund. He also mentioned that the Millennium Scholarship had a diversion from the unclaimed property fund of $7.5 million. Mr. Marvel then explained his concern about the stability of the fund because entities were making draws from it, and he wanted to make sure that the fund remained stable enough to support the withdrawals. Mr. Krolicki acknowledged that one major challenge of the program was that the marketplace required certain coverages with assurances that bondholders would be paid. He further stated that he believed the model created with the $5 million draw from the fund would translate into $50 million worth of funding.

Assemblywoman Leslie expressed concern over Mr. Krolicki's use of the word leverage. She wanted clarification that the money used would be money that would have to be paid back with interest.

Mr. Krolicki affirmed that the money would be borrowed, but that the activities funded would be used for long-term investment with the $5 million being used to pay the interest on those bonds. He further explained that the advantage of using the unclaimed property monies was that the state of Nevada would not be incurring a debt for the State, rather it would be an obligation of the Unclaimed Property Trust Fund. Should there be a cash flow problem, the General Fund would not have to service the debt.

Ms. Leslie reiterated that she had concerns about creating new debt for the state of Nevada, stating that she was not sure the Committee should obligate the State to pay back that interest. She acknowledged that once specific details were available about the projects to be undertaken that she might feel differently; however, with what she had heard up to that point, she was not sure that the state of Nevada should be taking on this new debt.

Mr. Krolicki responded by saying that it was up to him and NCED to provide a compelling reason to move forward with the plan. He said that two years previously it was wise for the Legislature to commit $10 million for economic development and that Nevada did not want to "be behind the curve."

Ms. Leslie then reiterated that the $10 million was allocated with the prevailing surplus at the time without taking on debt.

Chairman Arberry asked when Nevada might realize a benefit from this proposed program.

Mr. Krolicki explained that this was a process, but that tangible benefits should be realized fairly quickly. For instance, if a new research facility were constructed, it would be a visible manifestation of the program. Another tangible result could be an endowed chair at UNLV to bring in a top research team, along with millions of dollars of federal grant money, for some specific research project. Those were the kinds of tangible results that might be realized quickly. He then referred back to Silicon Valley, the Atlanta Corridor, the North Carolina Miracle, and the 128 Boston Corridor high tech phenomenons. He said it would take time to realize the full benefits of the development.

Mr. Krolicki then spoke of the more than 50,000 students eligible for the Millennium Scholarship. The program cost more than $124 million educating those students, and it was important to provide the kind of job environment that would keep the scholars in Nevada. He said the Millennium Scholarship was initially about allowing the students to receive higher education, but was also about expanding Nevada's economy and work force. He further went on to say that since Nevada now had the work force, it was important to make sure the kinds of companies and activities were available to take care of Nevada for decades to come.

Chairman Arberry again asked for a narrative of all the information on this proposed program. He also stated that he needed to see what the obligation from the unclaimed property revenue stream would be.

Mr. Krolicki replied that he would provide the information to staff.

Chairman Arberry then asked for more clarification about a $5 million one-shot appropriation for the Rural Local Government Economic Assistance Fund.

Mr. Rubald claimed that it was a surprise to him, as it was not in the initial budget NCED submitted to the Governor's office.

Chairman Arberry then asked Assemblyman Grady to speak about the appropriation.

Mr. Grady related that Assemblyman Goicoechea had submitted a Bill Draft Request, and that further details on the proposed program would be discussed when the bill was heard.

Chairman Arberry reiterated that Committee Staff still needed information about the proposal because the bill was not available for review.

Mr. Rubald stated that he met with the Governor's Chief of Staff on this appropriation and was told that this was not an issue for Economic Development. He would, however, convey the Committee's concerns to the Governor's office.

Mrs. Gansert stated that this fund was a rainy day fund for the rural counties for emergency purposes. For example, if there was a hospital that needed a new boiler, this fund would pay for it.

Assemblywoman Buckley expressed concern that the session was short, and it was imperative for those trying to pass bills to submit them to the Legislature so there would be enough time for proper consideration.

Chairman Arberry then asked about the increased General Fund support for the regional development authorities. He stated there was $10.99 million allocated to the Development Authority from the General Fund which was approved in the 73rd Legislative Session.

Mr. Rubald then explained that the appropriations the Chairman asked about included $995,000 for the rural development authorities discussed earlier, plus two $5 million allocations which would be split between NDA, EDAWN, and VCOZ. He then invited questions for those organizations.

Chairman Arberry asked for a description of what those entities were doing.

Mr. Rubald introduced Mr. Chuck Alvey, EDAWN President and Chief Executive Officer; and Mr. A. Somer Hollingsworth, President and Chief Executive Officer of NDA.

Mr. Alvey began by reviewing the economic impact created by EDAWN's efforts. He said that in FY 2007, the impact up to that point was approximately $224 million. The EDAWN used their funding to continue to provide business development services to companies interested in relocating to Nevada. In 2006, over half of EDAWN's economic impact had to do with expansion of existing companies in the region who were already doing business and wished to expand. Some of the money was also used on a "Target 2010" study conducted by Angelo Economics to help EDAWN better assess how to target industries that would give Nevada the highest paying jobs and the highest quality companies. The EDAWN Board of Trustees, Board of Directors, and Executive Committee gave it the charge to build the economy in a way that current Nevadans would still want to live here in the future. The focus of the assessment was not to attract just any companies, but to attract the best companies. The program was expanded to enlist the help of the Nevada System of Higher Education to recruit those companies and expand them to do work force marketing and branding and to create a young professional's network. The EDAWN was currently working on developing venture capital and entrepreneurship and also a system to track the community contributions of companies in the region and to build on those community partnerships.

Chairman Arberry asked that EDAWN provide staff a breakdown of how the funding was used and any success realized from the program.

Mr. Alvey said that he would submit an updated report, similar to the one submitted to the Interim Finance Committee previously.

Mr. A. Somer Hollingsworth began an overview of what NDA had done with the funding it received, most of which went for marketing programs. He said the previous year was the best year they had in terms of recruiting new companies. Their marketing program allowed NDA to respond instantaneously and effectively. Sixty-one new companies entered southern Nevada in the previous year because of NDA's marketing program. Mr. Hollingsworth claimed that the economic impact to the state of Nevada would be in excess of $2 billion over five years. He used a five-year timeframe because most properties in Southern Nevada required a five-year lease, and the incentives received from the State also required a five-year contract. He continued by saying that he hoped those companies would stay in Nevada and grow, resulting in an ongoing economic impact. He claimed that 23 companies relocated their headquarters to southern Nevada. Nevada led the nation with new manufacturing companies. He also thought that unfavorable business factors in California contributed to 19 California companies relocating to Nevada—a large portion of the 61 total new companies which came to Nevada.

Mr. Hollingsworth stated that NDA also targeted three different industries—technology, life sciences, and alternative energy. The Authority went to New Jersey and recruited biotech/life science companies because it had many of those companies but was a bad place to do business. New Jersey ranked number four in the nation from a high tax on businesses and individuals. The NDA opened a campaign there and had good results. This would not have been possible without enough money for marketing.

Mr. Hollingsworth stated that three studies were conducted to determine which states should be targeted in order to find companies within the three target industries that would most likely be willing to relocate. This allowed for better use of marketing dollars.

Mr. Hollingsworth then began talking about how NDA and also EDAWN were good at leveraging the media. He asserted that the campaigns were so effective and noteworthy that many media sources reported on the campaigns resulting in free exposure. For example, the last campaign put out by the two agencies cost between $2.5 million and $3 million over three years, but generated approximately $10 million to $15 million worth of press coverage across the country. Though NDA and EDAWN did not have direct contact with every new company coming to Nevada, he believed that much of the reason these new companies were coming was because of this marketing program. He stated that more and more companies were realizing Nevada was a great place to do business.

Mr. Hollingsworth then explained not every company that applied for incentives received them because NDA and EDAWN qualified every company they came into contact with. These agencies did not believe that every company that applied for incentives was deserving.

Assemblywoman Weber asked whether the businesses within the target industries mentioned were bringing in their own staff or whether they were able to find sufficient staff within Nevada's work force.

Mr. Hollingsworth explained that some of the companies were bringing in their own staff, but not bringing in every employee they needed. Because of this, there was hiring taking place. He acknowledged there were difficulties with finding individuals with specific expertise, but also stated that the stigma Las Vegas had as a great place to visit and party but was not a good place to live had gone away because of the many people from all over the United States who had moved there. He mentioned that San Diego and Silicon Valley were good "hunting grounds" for Nevada companies because there were many unemployed in those areas, especially in San Diego; however, he also said that an important part of this effort would be graduating individuals from Nevada's universities in order to allow companies to hire Nevada natives rather than "importing" them. He continued by saying that NDA worked with UNLV to make sure the University was in tune with what was going on with NDA and the community.

Chairman Arberry asked why NDA and EDAWN gave their advertising dollars back to NCED. He thought it might be easier to give the money directly to NCED.

Mr. Hollingsworth stated that because EDAWN and NDA received grants from NCED, they agreed to not ask for those grants again, and allow NCED to use the funding for the rural areas of Nevada.

Mr. Rubald explained that some of the advertising contracts were arranged through NCED. In other words, the agencies worked closely together, and as such, NCED oftentimes acted on behalf of other agencies in a cooperative effort.

Chairman Arberry asked why the Governor's recommended budget referred to these expenditures as grants.

Mr. Rubald stated that he had spoken to the Governor's office about separating out NDA and EDAWN funding from the grants to development authorities. Currently, however, this funding was all lumped together under the rural grants provided to rural development authorities. In the 73rd Legislative Session, the grant to NDA and EDAWN was originally developed with a different set of rules than the grant for the rural development authorities. He suggested that those be separated, similar to what had been done with the funds for NDA-Innercity Economic Development. The NDA never had access to these funds, rather this was allocated as part of the original $5 million per year that went to VCOZ.

Chairman Arberry said he was concerned that the money would have to be applied for because it was referred to as a grant, and he did not want interested entities to have to apply for that money.

Mr. Rubald agreed with Chairman Arberry and mentioned that the Governor's office agreed as well.

Mr. Hogan wanted to know if there was more information available about the prospects and successes of VCOZ.

Mr. Rubald mentioned that Mr. Henry J. (Hank) Pinto, the Executive Director of VCOZ, was in the audience and could address that question.

Mr. Pinto said that he had worked as Executive Director since October 1, 2006, with the mandate to create economic benefit for the Las Vegas Valley. Upon assuming the position, he felt entirely responsible for the taxpayers' funding, thus much of the work up to this point had been establishing proper recordkeeping and accounting to ensure compliance with Internal Revenue Service regulations. However, VCOZ had been getting significant media attention. Mr. Pinto had appeared on television and radio and had been requested to appear numerous other times because VCOZ was "giving away money." As of January 2007, he had fielded more than 100 phone calls about the program. He currently had over 70 grant applications on his desk, of which approximately one-half were viable candidates. The VCOZ had established relationships with resource providers to train applicants so they could be properly prepared for grant consideration.

Mr. Pinto said that he had two main responsibilities, one of which was capacity enhancement training. This was a training program that was being built to meet the specialized needs of applicants, principally in accounting, bookkeeping, and marketing.

Chairman Arberry interjected by asking when VCOZ might see some success.

Mr. Pinto said that he currently had $185,000 to "put on the street" for "bankable and semi-bankable projects." He followed through on each project with photographs and narratives on its status. Because of turbulence on the Board of Directors, it had been a difficult process, according to Mr. Pinto.

Chairman Arberry asked whether that information could be provided to staff as it progressed, and also whether the information he just reviewed could be provided in a narrative form so the Committee could understand what VCOZ was doing.

Mr. Pinto said he would.

Mr. Rubald then mentioned a Letter of Intent from the 73rd Legislative Session that disallowed travel monies for NCED. He noted The Executive Budget did not include any In-State or Out-of-State Travel and that it would be difficult to do business in Economic Development without any travel budget.

Chairman Arberry asked for clarification.

Mr. Rubald repeated that the Letter of Intent stated that NCED was to begin the next biennium with a zero travel budget. In honoring that, the budget was built without any travel funds.

Assembly Fiscal Analyst Mark Stevens offered further clarification that the Letter of Intent indicated the travel budget should start from zero in the base budget, but on page 6 of NCED's budget, the Governor recommended $25,423 in FY 2008 and $25,225 in FY 2009 for Out-of-State Travel. The Executive Budget contained a recommendation for In-State Travel of about $40,000 annually. The Letter of Intent requested that NCED's base budget not contain any travel funds, but that their travel funds should be listed under a maintenance or enhancement decision unit. He said the Letter of Intent did not say NCED should not travel, but rather that their base expenditures should be zero, and travel funds should be justified completely.

COMMISSION ON ECONOMIC DEVELOPMENT
NEVADA FILM OFFICE (101-1527)
BUDGET PAGE – ECON DEV & TOURISM – 8

Chairman Arberry moved to Budget Account 1527 and asked about film and production expenditures that were expected to decrease from FY 2006. By the end of the biennium, the Nevada Film Office projected 31 fewer film productions, 56 fewer television productions, and 77 fewer industrial and photo documentaries. Chairman Arberry noted that revenue from media productions was projected to decrease.

Mr. Rubald said the projections used a conservative approach and introduced Mr. Charles Geocaris, Director of the Nevada Film Office, to further address this issue.

Mr. Geocaris explained that fierce competition with other states, which had implemented incentive packages, like New Mexico and Louisiana and other states that surround Nevada, had resulted in the lower projections. Over the last few years, Nevada had received over $100 million annually from this industry; however, he cautioned that the business was very cyclical and that levels like that should not be expected every year. He mentioned that Nevada had attracted over 650 annual productions with their budget. He noted that other countries were also offering incentive packages. For example, Canada had been very aggressive in offering incentives, and now states were beginning to offer similar packages.

Ms. Weber asked what percentage decrease was projected.

Mr. Geocaris said that 50 to 60 percent of all the revenue was from television production. Feature films revenue had dropped off since September 11, 2001, because many film companies were remaining in Los Angeles for convenience purposes. There was, however, a large increase in television production, including series, specials, and reality television. Mr. Geocaris referred to Las Vegas as a "production backdrop" for the television industry. Over the last few years, the revenue figures had changed from being predominantly derived from feature films to television. Documentaries, industrial films, and still photography projects had also increased, bringing tens of millions of dollars into Nevada's economy.

Chairman Arberry asked for a brief overview of the Nevada Film Office budget.

Mr. Geocaris explained that no new programs were asked for in this budget, being satisfied with the current number of projects that were being brought to Nevada. Many other states also had film offices similar to Nevada's and were satisfied with bringing in $5 to $10 million in revenue. In FY 2006, the Nevada Film Office brought in $102 million into the economy, with a budget of approximately $900,000. The return on investment was excellent. He stated that they were looking forward to another good year. There was currently a Kevin Spacey feature film being shot in the Las Vegas area through Columbia Pictures. <u>Smoking Aces</u>, a major motion picture also shot in Nevada, just recently opened in theaters.

Chairman Arberry asked where Nevada ranked among the states in film production.

Mr. Geocaris stated that Nevada used actual dollar figures to determine ranking, but many other states used multipliers. It was uncertain exactly where Nevada ranked; however, he believed that California was number one, New York was number two, and outside of those states the rankings were ambiguous.

Ms. Robin Holabird, Nevada Film Office Deputy Director, mentioned that New Mexico had increased its revenues significantly because of its incentive programs. Louisiana, notwithstanding the difficulties from Hurricane Katrina, was still one of the top production states. She said it was safe to assume that Nevada ranked in the top ten. *MovieMaker Magazine* recently ranked Las Vegas as one of the top ten cities in which to film. She said that the rankings depended on whom one spoke with and what factors were considered.

Chairman Arberry then asked about decision unit E175, the increase of advertising for the office. He noted the contract was expiring. He wondered whether it was to be sent out to bid again.

Mr. Geocaris said that a Request For Proposal (RFP) had been prepared and that they were working with State Purchasing to disseminate the RFP and solicit bids.

After a brief recess, Chairman Arberry opened discussion on BA 1528, Rural Community Development.

COMMISSION ON ECONOMIC DEVELOPMENT
RURAL COMMUNITY DEVELOPMENT (101-1528)
BUDGET PAGE – ECON DEV & TOURISM – 13

Mr. Rubald discussed Rural Community Development, which administered the Community Development Block Grant funding for rural communities. This was one of two federal programs that NCED managed. This program was devoted to doing rural development in a comprehensive manner. The focus of the program was to distribute, in an appropriate manner, federal grant funding received through Housing and Urban Development. He referred to pages 27 and 28 of the handout, which contained a list of the communities that received funding in FY 2005 and FY 2006. He stated it was a "grassroots" program that allowed community representatives to decide where the funding went and where the priorities were, rather than NCED staff. The competing communities made recommendations through NCED staff and the Commission, which then went on to the Governor's office for further approval. He said he did not believe any of those recommendations had ever been changed.

Chairman Arberry asked why a matching amount in excess of the 2 percent required for the HUD grant, which was approved in the 73rd Legislative Session, was requested to continue in the new budget.

Mr. Rubald introduced Ms. Audrey Allan, Director of Rural Community Development, to address the Chairman's question.

Ms. Allan explained that the federal requirement on the Rural Community Development program was a 2 percent state match, and that over the last biennium the General Fund match had actually been closer to 9 percent. Recently, the amount of federal funding received had been $3 million, but had dropped to $2.7 million because of Hurricane Katrina. In the last year, the State money was used as local match for other grant and aid programs to leverage more funding in the amount of $13 million. Oftentimes, the rural communities were unable to come up with their required match, making the General Fund a valuable tool in this effort. She said that it was difficult to request these match dollars through the Legislature, even though there was a federal requirement of 2 percent. That 2 percent did not fund staffing. Currently, NCED staff for this program included Ms. Allan, a grant manager, a grant analyst, an administrative assistant, and an account clerk. She noted that the land area this staff covered was immense.

Chairman Arberry asked about the state's decreasing Community Development Block Grant (CDBG) awards, and how NCED was planning on providing subgrants to the rural communities.

Ms. Allan acknowledged that CDBG was a good tool for rural development. She stated that the same work would exist whether there was $1 million or $3 million to grant. She said sufficient match money was the problem because salaries depended on the administrative dollars provided by the Legislature. Though many of Rural Community Development's activities were in administering the grant, staff was making efforts to help communities "shape a vision," to look at their challenges and strengths, and to identify key actions that can be taken to meet the needs of rural communities for the long term.

Ms. Allan stated that some of the work NCED was doing, which started in 2001, was action planning and resource workshops. The NCED was focused on developing leadership, working with the youth at an earlier age, and building entrepreneurship in the rural areas. She said the agency was aware it needed to find more sustainable ways to help rural communities be more successful over the long term.

Mr. Rubald then explained that the current Presidential Budget recommended a decrease in the CDBG program. He said that because of information from a Congressional Delegation, NCED did not believe it would be receiving less money for the program; however, funding still had to go through the legislative process in Washington and was not within NCED's control. If the grant resources were to decline, the match would also decline, reducing NCED's resources.

Chairman Arberry asked for clarification about staff size should the amount of funding continue to decline.

Mr. Rubald explained that if the award continued to decline as recommended by President Bush, cuts in staff would have to be made. Currently, however, the staff was behind in its work and needed to remain in place.

Chairman Arberry asked Mr. Rubald to provide to Committee staff information on what expenditures could be reasonably eliminated if this downward funding trend continued.

Mr. Rubald agreed.

Assemblyman Denis asked whether NCED only administered the "bricks and mortar" portion of the CDBG program.

Ms. Allan said NCED did planning, capacity building, rehabilitation of owner-occupied homes, and economic development activities.

Mr. Denis then referred to the list of projects which seemed to contain municipal projects, like road resurfacing, for example. He asked why housing was not a priority for this community-based program.

Ms. Allan said she worked closely with housing organizations, USDA Rural Development, and HUD. She said that most of their funding went into home rehabilitation.

Mr. Denis asked to see specifics on the home rehabilitation programs. He then asked whether NCED had joined with local government agencies that administered CDBG funds to pressure the federal government to not decrease the available monies.

Ms. Allan said local agencies were tied in with NCED. At the national level, NCED was tied into several national organizations.

Mr. Denis asked whether all the local agencies were lobbying the federal government to stop program cuts.

Ms. Allan said she did not necessarily work directly with the local agencies, but rather worked more at the national level.

Mr. Denis wanted to know whether NCED, with all of the cities and counties, could go to Nevada's Congressional Delegation, believing that might help Nevada with this program.

Mr. Grady commented about the competitive nature of these grants and complimented Ms. Allan on her good work.

COMMISSION ON ECONOMIC DEVELOPMENT
PROCUREMENT OUTREACH PROGRAM (101-4867)
BUDGET PAGE – ECON DEV & TOURISM – 18

Chairman Arberry opened discussion on BA 4867, Procurement Outreach Program.

Mr. Rubald explained that the Procurement Outreach Program provided assistance to firms with federal, state, and local government contracts. He gave an example of a business in Las Vegas, which started small, but had grown to over two hundred employees, because of the firm's ability to obtain federal contracts through the use of the Procurement Outreach Program. Mr. Rubald acknowledged that the reporting aspect of this program posed a problem, because NCED received only about 15 percent of the required reports back from participants.

Mr. Rubald referred to pages 29 and 30 of the handout, stating that in FY 2005 approximately 2,300 jobs were created. In FY 2006, just under 7,000 jobs were created.

Chairman Arberry asked for explanation about the performance indicators showing decreases. The projected number of contracts procured for NCED client firms was 891, but the actual number was 630 in FY 2006. The projection for FY 2007 was 980. The performance indicators for the dollar amount from contracts for NCED's client firms also did not meet the goal of $508 million, reaching only $316 million in FY 2006. The new projection was only $275 million in each year of the upcoming biennium. A performance indicator further showed that jobs retained or expanded were also projected to decline to 7,000 each year of the biennium.

Mr. Rubald stated that though these contracts and jobs had not been growing, overall jobs created had grown from 2,300 to 7,000. He was unsure why the projections were not met.

Chairman Arberry was concerned that the Procurement Outreach Program was scheduled to receive the same amount of money in the proposed budget, even though the performance indicators declined. He asked Mr. Rubald to provide to staff further justification for this program.

Mr. Denis asked how the projection of 891 contracts procured and the actual number of 630 could justify a FY 2007 projection of 980. He reiterated the need for justification when the actual numbers were declining.

Mr. Rubald was unsure what the reasoning behind the projections was.

Chairman Arberry closed the hearing on the budgets for the Commission on Economic Development and began the hearing on the Commission on Tourism.

COMMISSION ON TOURISM
TOURISM DEVELOPMENT FUND (225-1522)
BUDGET PAGE – ECON DEV & TOURISM – 23

Mr. Tim Maland, Director of the Nevada Commission on Tourism (NCOT), began an overview of the agency. The NCOT was lead by the Lieutenant Governor, Brian Krolicki and eight Commissioners: Howard Reinhart; Chuck Boling; Van Heffner; Irwin Kirschner; Ferenc Szony; Lorraine Hunt; Ray Pearson; Chuck Shearer; Rossi Ralenkotter, ex-officio member; and Ellen Oppenheim, ex-officio member.

Mr. Maland directed the Committee's attention to a booklet (Exhibit D) NCOT had prepared for review. He began by outlining the powers and duties of NCOT, which were to promote tourism and travel to Nevada and to publish Nevada Magazine and other promotional materials. NCOT was funded by 3/8 of one percent of the lodging tax with the mission to generate additional tax revenue for the state of Nevada through gaming, lodging, and sales taxes.

Mr. Maland said that tourism was Nevada's number one industry, generating over $40 billion in annual revenues and accommodating over 51.5 million tourists annually. Tourism was a very competitive market, representing the nation's second largest export, and also one of the top three economic drivers in every state. Of all fifty states, Nevada ranked number one for having the highest percentage of its economy attributed to tourism. Thus, Nevada needed to maintain its competitive edge.

Turning to page 3 of the handout, Mr. Maland explained that Nevada ranked 18th among the 50 states in tourism promotion spending, yet ranked first in its dependency on the industry. He pointed out that competing states were increasing their tourism promotion spending because of this head-to-head competition. He further mentioned increased competition from outbound international travel, citing a reduction of domestic flights and an increase in "higher-yield" international flights.

On page 4, Mr. Maland reviewed NCOT's budget strategy. The first focus of their budget is the "highest and best use." The Commission wanted to spend its budget in areas they believed would return the greatest good. The NCOT also wanted to remain responsive to the competitive marketplace, expand their successes, and increase efficiency.

Page 5 showed projections of the percentage of lodging taxes designated for NCOT use. In FY 2007, the projected revenue was $18.4 million, which was higher than the amount in The Executive Budget because this projection was based on actual results. This would result in an increased operating reserve of about 45 days. He stated that NCOT believed the projected revenue would increase over the biennium to $20 million in FY 2008 and $21.6 million in FY 2009. These projections were created using information from industry partners, a 5-year rolling average, and a room inventory based on current construction schedules.

Mr. Maland then began discussing Enhancement unit E175. The NCOT desired to expand television, Internet, and print advertising, as well as an email campaign. The Commission wanted to assemble a photo and video shoot library. Also needed was increased printing and postage as a result of successful print and Internet campaigns, which have led to increased fulfillment requests. He stated that in the past, NCOT had been primarily a print advertiser; however, the various media used now consisted of Internet, email, and television, in addition to print. This budget also requested funds to assist with the advertising and promotion for other agencies, such as State Parks and Museums. In the past, there had been significant transfers from NCOT's budget to State Parks' budget, to Wildlife's budget, and so forth. In this budget, though, NCOT had requested funding to take on those costs for production and distribution. With all these considerations, a marketing specialist position was requested to assist the person in charge of marketing for the agency.

Mr. Maland then moved on to page 7 of the handout to explain a "Cost Per Acquisition" campaign, whereby NCOT only paid for the advertising when a viewer actually requested information. This advertising was directed only at people that had indicated an interest and resulted in significant increases in requests for material.

Page 8 contained a list of some of the informational materials produced by NCOT and Nevada Magazine. The most requested items were the Travel Planner and the Visitor Guide. In addition to the Nevada Magazine, approximately 2 million pieces of collateral were distributed annually.

Mr. Maland turned to page 9 of the handout and reviewed the digital information available through the website. He said this was what the savvy consumer wanted. The NCOT was able to redirect some of the requests to this digital form and permit immediate downloading and printing; however, the success of the campaigns had increased both the number of website visits and requests for paper materials, notwithstanding the digital availability.

Page 10 explained NCOT's national television ads. These ads listed the website address as well as the telephone number. This allowed for real-time tracking of the responses to specific ads. The NCOT had a long list of television channels that were running the commercial in the past, but that Discovery Channel, Fox News, and the Travel Channel showed better results. Frequency on these channels was therefore increased, leading to more traffic. Mr. Maland also mentioned that Discovery Science was a channel that NCOT wanted to advertise on and was included in the advertising budget submitted.

Chairman Arberry asked about the performance indicators of Total Tourism website Visitors and also Total Tourism Unique website Visitors, wanting to know the difference.

Mr. Maland responded by saying that a unique visitor was a single individual who might return at a later date. Visits to the website might include visitors who return two or three times.

Continuing on page 11, Mr. Maland brought the Committee's attention to the Internet traffic increases since FY 2002. It was projected that the website would have approximately 2 million visitors in FY 2007, increasing to approximately 3 million visitors annually over the next biennium.

Mr. Maland then turned to page 12 of the handout and mentioned the unpaid media exposure garnered by NCOT through their Media Relations unit. The Commission cooperated with travel writers by providing them with familiarization trips, experiencing rural Nevada and other markets. These writers wrote articles about the opportunities in Nevada. The NCOT estimated the value of the size of these articles compared to the advertising rate to be $27.5 million in FY 2006, with 247 million gross media impressions [total number of appearances of an article or advertisement].

Mr. Maland then turned to page 13 to discuss E176.

Mr. Denis asked about the unpaid advertising success in Mexico.

Mr. Maland stated that NCOT had not advertised in Mexico, but had included in this budget submission spending in Mexico with a separate enhancement unit E177. He said that Mexico had enormous potential, particularly for the Northern Nevada ski market, especially in the Mexico City and Guadalajara markets. Currently, however, NCOT did not advertise in Mexico.

Mr. Denis restated his question to reiterate his interest in unpaid advertising in Mexico.

Mr. Maland stated that NCOT worked with travel writers from around the world. The NCOT Media Relations Department was responsible for feeding information to those writers or by bringing them to Nevada and exposing them to this State through familiarization trips.

Ms. Chris Chrystal, NCOT Media Relations Manager, said that NCOT could not do much work with Mexico without a representative office there. The Commission did not have a Mexican office, making it difficult to find the appropriate travel writers prior to bringing them to Nevada. It was important to be able to make sure these writers would be of value to NCOT. Ms. Chrystal stated that a representative office would assist with translation and qualifying writers. The NCOT already had offices in Asia and the United Kingdom.

Chairman Arberry asked for an explanation of the name of this Budget Account, noting that Tourism Development Fund and Tourism Development [a separate account] are similar. He explained that the Tourism Development Fund used to be named Commission on Tourism and questioned that change.

Mr. Steve Woodbury, NCOT Deputy Director, said that in the 73rd Legislative Session, a separate budget account was created specifically for the Tourism Development Grant Program, called Tourism Development. By statute, it was allowed to accrue interest and therefore needed to be separate. Mr. Woodbury said that the name could be changed and would work with staff to do so.

Chairman Arberry asked about the difference between the marketing specialist position requested and the existing position dedicated to media relations.

Mr. Maland said that JoLyn Laney, the marketing manager, was responsible for all the coordination for placement of media.

Chairman Arberry asked about the duties and responsibilities of this requested position.

Mr. Maland stated the marketing specialist would be assisting the marketing manager with all the coordination of those activities as well as providing assistance to the agencies for which NCOT would be advertising, such as the Division of State Parks and the Division of Museums and History.

Chairman Arberry asked why the position was requested to start July 1, 2007. Typically, new positions did not start until October to allow adequate time for interviews and selection.

Mr. Maland stated that if it was possible to interview between now and July 1, he would like to do so.

Chairman Arberry stated that it would be difficult because the budget would not be closed until June. He asked for further clarification on how NCOT planned on finding this individual so quickly and asked whether NCOT was currently advertising for the position.

Mr. Maland said that NCOT was not currently advertising for the position.

Mr. Maland continued his overview on page 13 of the handout to discuss bringing some copywriting services in-house that would be provided by Nevada Magazine. This would involve producing two periodicals that were currently outsourced, the Visitor Guide and Travel Planner; therefore, Nevada Magazine was requesting one copywriter position [E176].

Mr. Maland then moved on to page 14 to explain NCOT's planned expansion in international markets [E177]. The NCOT wanted to build on current efforts in China, making the most of its existing competitive advantage. The Chinese office was one of the first state offices to get approval to advertise to Chinese consumers. He also mentioned that NCOT asked for funding to establish representative offices in Mexico and perhaps India, stating that NCOT was exploring the opportunities in India.

Chairman Arberry asked why NCOT had built into the budget funding in India, but that he said "perhaps."

Mr. Maland explained that one exploratory trip to India had been taken already, and that he wanted to make sure establishing an office in India and developing relationships with companies there was done correctly.

Chairman Arberry asked why NCOT wanted an office specifically in India.

Mr. Maland mentioned a discussion he had with Rossi Ralenkotter, the head of the Las Vegas Convention and Visitors Authority (LVCVA), stating that India was one of the four major markets where new opportunity existed, along with

China, Russia, and Brazil. India's population size alone was enormous, and it had a growing middle-class with the ability to travel. Sheer numbers alone were attractive enough for that market. The recent stability in India, the prosperity it was enjoying, and the levels of education achieved all showed great potential. He stated that there were more English-speaking college graduates in India than there were in the United States.

Chairman Arberry then referred to the Governor's recommendation for $14,500 per fiscal year for Out-of-State Travel, asking that travel for the international specialist be prioritized.

Mr. Maland said travel priorities would be provided.

Assemblywoman Buckley asked for information correlating the amount of money invested in different countries to the amount actually received by the state of Nevada that could be directly attributed to NCOT's actions. She stated that she wanted to make sure Nevada would get a return on investment, because much of what she had heard to this point was nebulous. She also asked for specifics on what efforts would be made in new countries. For example, she wanted to know who would be targeted, how they would be targeted, and whether there was discretionary income in those countries. She stated that India intrigued her because, though their population was so large, there were also many poor people. She wanted to know statistics on the college-educated Indians regarding their discretionary earnings and propensity to travel, where they traveled, and why they might consider traveling to Nevada.

Mr. Maland said he would provide more detail on Ms. Buckley's concerns. He then mentioned the return on investment of the China office, citing a corporate group from China of about 400 individuals that paid significant amounts of money, leading to approximately $40,000 of revenue to the State of Nevada from lodging taxes alone. He said that it would not be hard to provide the justification Ms. Buckley asked for, and that it would be forthcoming.

Assemblywoman Smith asked about delegations that had been sent to China, specifically who and how many persons went.

Mr. Maland acknowledged that employees of NCOT had traveled to China, joined many times by various trade companies and ministry officials. Because of NCOT being approved to actively market in China, that approval helped other entities enter China with these visits, such as sales departments from many of the casino hotels in Las Vegas and Reno. In those instances, NCOT did not pay for travel costs of those outside individuals. However, NCOT's Chinese representative assisted them with travel arrangements and other issues.

Mrs. Smith asked whether local elected officials who had been sent to China were paid out of NCOT's budget.

Mr. Woodbury was unsure and promised to provide that information.

Ms. Weber then asked whether NCOT worked together with the LVCVA, mentioning specifically the LVCVA office in Mexico, as a possible way to share associated costs.

Mr. Maland said there was an agreement with LVCVA to fund a portion of their United Kingdom, Japan, and Korea offices. As such, NCOT was enabled to work with LVCVA's respective representatives and market the entire state through media relations, trade groups, and trade shows. The LVCVA had other agreements beyond those funded by NCOT, and therefore, because NCOT did not fund the Mexican office, NCOT was prohibited from working with that office.

Chairman Arberry then asked why there was a transfer of funds from NCOT to Nevada Magazine.

Mr. Maland gave a brief overview of Nevada Magazine and its relationship with NCOT. Nevada Magazine was currently producing certain informational materials for NCOT which NCOT planned on purchasing for fulfillment purposes. He stated that Nevada Magazine would be producing a Visitor Guide and a Travel Planner for fulfillment requests through the Internet or phones and getting reimbursed from NCOT, rather than NCOT paying an outside vendor for that production. These materials also included the Nevada Golf Guide, though a golf magazine was planned to replace this guide. The reimbursement to Nevada Magazine would involve a payroll cost rather than a printing cost.

Mr. Woodbury mentioned that the Category 22 transfer was reimbursement for costs for a graphic design position and for editorial services. That transfer increased in this budget submission because of the request for a copywriter position for Nevada Magazine. He reemphasized that the transfer was a purchase of services provided by Nevada Magazine. The Category 31 transfer was for printing of the publications.

Chairman Arberry asked where the copywriter position was in the budget.

Mr. Woodbury said it was in the Nevada Magazine BA 1530.

Chairman Arberry asked what the total amount to be transferred was.

Mr. Woodbury believed the amount was $137,000 [actually $135,000], including the cost of the position and editorial services provided by Nevada Magazine.

Chairman Arberry asked how much was to be transferred to Nevada Magazine for promotion.

Mr. Woodbury said the amount transferred was $849,442 in FY 2008 and $871,000 in FY 2009.

Chairman Arberry asked that this information be provided to staff.

Mr. Woodbury said it would be.

Chairman Arberry then asked for an explanation of E179, contractual services payable to Charles Ryan and Associates, to provide website improvement.

Mr. Woodbury responded that E179 paid for enhancements to the NCOT website, which was currently being redesigned. The $100,000 was requested to provide additional features, such as RSS feeds, which relates to technology to notify interested subscribers about updated information on the website. This technology would ensure that visitors would not have to continue checking the website for updates, but would be notified about them as they occur. The funds would also pay for the development of an "Events Input Module." He indicated this would allow rural partners to log in and post information on local events instead of requiring NCOT to enter the information. This money was also intended for video integration into the website.

Chairman Arberry asked how NCOT moved reserves without obtaining approval through the Interim Finance Committee. He wanted to know how the money was spent.

Mr. Woodbury asked for clarification about which reserve fund the Chairman was referring to.

Chairman Arberry verified that it was a special reserve set aside in the current biennium.

Mr. Woodbury said that the money set aside by the 73rd Legislative Session was for online booking through the website. Rather than doing the online booking, it was found that merely providing direct links to the providers' websites was more cost effective. Some of those funds saved were used to expand the aforementioned Cost Per Acquisition Internet marketing campaign.

Chairman Arberry asked that justification of the Out-of-State Travel listed under E180 be provided to Committee staff.

Mr. Woodbury said that it would be provided.

Chairman Arberry then asked for more information about the upcoming bid for the Winter Olympic Games for the Reno/Tahoe area.

Mr. Maland mentioned that a committee had been created several years prior. He served on the committee while working for a private company at the time. That committee planned to make a bid for the 2014 Winter Olympics. Circumstances required that the bid be moved back to 2018. The NCOT funded $125,000 toward that committee for the purposes of marketing the Reno/Tahoe area for that bid. Mr. Maland was again a committee member, along with Mr. Woodbury, representing NCOT. This committee was chaired by Lieutenant Governor Brian Krolicki. He then deferred to Mr. Jim Vanden Heuvel, Chief Executive Officer of the Reno Tahoe Winter Games Coalition (RTWGC).

Chairman Arberry wanted further clarification because he was under the impression that the bid was to be for the 2014 games.

Mr. Vanden Heuvel explained that the United States Olympic Committee (USOC) had decided not to pursue the 2014 Winter Olympics, but that Reno/Tahoe was still preparing for the bid. He stated that Reno/Tahoe could not go to the International Olympic Committee (IOC) without the support of the USOC. The Coalition's goal had always been to be the next American city to host the Winter Olympics and therefore began planning for the 2018 bid.

Chairman Arberry asked whether there had been explanation provided to staff about how the RTWGC's budget would be used.

Mr. Vanden Heuvel stated that he had appeared before the Interim Finance Committee and reported on the Coalition's activities, giving a timeline on the potential 2018 bid. Typically, the USOC made their selection for the American candidate city approximately nine years prior to the Olympic Games. This meant a selection would be made in 2009.

Chairman Arberry said that the Committee's concern was that the initial bill adopted in the 73rd Legislative Session did not contain a provision for the reversion of unspent funds. He then requested information on how these funds were to be used, and why this expense was considered ongoing.

Mr. Vanden Heuvel said that there were expenses involved in putting the bid book and bid packaging together. There were 18 different themes that needed to be addressed, each of which were specific to developing information and utilizing experts in those areas to compile information for the bid package. He said that "we need to stay in the game." This sentiment was conveyed by both the IOC and the USOC. Any drop off in activity was going to be considered a restart and was not what the two Olympics committees looked for. Both looked for continuity and commitment from Reno/Tahoe for these Olympic Games. The Coalition believed there was value in moving forward with the bid. The strategic plan had expanded to bring other activities into the process, which were of general benefit and not just exclusive to this bid.

Chairman Arberry asked Mr. Vanden Heuvel to provide to staff details on how this money was to be spent.

Mr. Vanden Heuvel said that he would.

With that, Chairman Arberry closed the hearing on BA 1522 and opened the hearing on the Nevada Magazine account.

COMMISSION ON TOURISM
NEVADA MAGAZINE (530-1530)
BUDGET PAGE – ECON DEV & TOURISM – 33

Ms. Debra Dudley, Publisher of Nevada Magazine, began an overview of the Nevada Magazine budget, stating it was an enterprise fund, which operated like a private enterprise. Nevada Magazine could only spend money brought in through revenue generation. Revenue was generated in three different ways: First, subscribers paid $20 annually for six issues of Nevada Magazine. Second, issues were sold on the newsstand at various retail outlets throughout the West. Third, revenue was generated through ad sales. Ms. Dudley said her purpose for taking the position of Publisher was to increase the revenues generated. She hoped to increase revenues by increasing subscriptions through offering the readers more of what they wanted. A recent survey of its readership showed that Nevada Magazine was not "hitting the mark." The magazine had been focused on Nevada history, but a poll revealed that readers wanted to hear about what was new in Nevada. They liked the history element; however, they wanted to hear about new developments, new dining, new shopping opportunities, new travel opportunities, and new outdoor adventure opportunities. Surprisingly, readers also wanted to hear about other people in Nevada—interesting people to read about. The new design and format of the magazine would focus on what the readers wanted.

Additionally, newsstand distributors said that the quality of the magazine was the reason that people did not take it off the rack, according to Ms. Dudley. The magazine had been printed on a lower quality paper, with lower quality pictures, compared to other lifestyle magazines on the newsstand. The focus, therefore, had changed to match what readers wanted and to increase the quality of the publication.

If readership increased, Ms. Dudley stated that circulation would increase. Ad rates were set by circulation numbers. She said that Nevada Magazine would be able to charge more for advertising because the circulation would be larger.

Ms. Dudley also said they were expanding their advertising base because of the new features planned on new housing developments, Nevada lifestyle opportunities, dining, and accommodations. She said this would expand the ad base from primarily hotels and casinos and other entertainment venues to housing developments; real estate agents; home designers; and home services, such as gardening, but would still include the current dining and entertainment venues. She said the new ad base would be similar to the ad base in *Sunset Magazine*.

Ms. Dudley explained that the Internet had been underutilized. Nevada Magazine had little Web presence beyond mini-articles on their website and information that encouraged people to subscribe. Currently, Nevada Magazine was working with NCOT to improve their presence, as well as provide the magazine's content to NCOT. A mini-magazine, or e-zine, was being provided to individuals who had requested more information about Nevada through NCOT. These individuals were to receive updates via the e-zine, with the intent to increase subscriptions.

Ms. Dudley mentioned that the magazine had changed how staff was utilized. The NCOT had been outsourcing its Visitor Guide, Travel Planner, and Golf Guide. Nevada Magazine was asking for one additional position [E176] to become the in-house publications division for NCOT. This was requested to better utilize the talents of the current staff and also increase printing efficiencies. To that end, Ms. Dudley had put together a print bid that included every NCOT publication, rather than sending out bids on each piece. She stated this was to get more competitive bids from printers who then might be able to bulk purchase paper for all the printing.

Ms. Dudley anticipated increased revenues because ads would be sold for Nevada Magazine and also the Visitor Guide and the Travel Planner. Though this would increase revenues, there were related expenses because of printing almost half a million Visitor Guides and Travel Planners for NCOT.

Ms. Weber asked whether the e-zine was going to be available in a variety of languages.

Ms. Dudley stated that NCOT was currently working on that technology. The launch of the e-zine was to take place in March 2007.

Chairman Arberry closed the hearing on BA 1530 and opened the hearing on BA 1523.

DIVISION OF TOURISM
TOURISM DEVELOPMENT (225-1523)
BUDGET PAGE – ECON DEV & TOURISM – 41

Mr. Woodbury said there were no changes to this program. This $200,000 was for a tourism development grant program.

Chairman Arberry asked how the money was spent.

Mr. Woodbury deferred to Mr. Larry Friedman, Senior Rural Grant Program Manager.

Mr. Friedman explained that this was a program in partnership with NCED. The program was administered by a committee which consisted of Mr. Friedman, Ms. Allen from NCED, a representative from the tourism industry, a representative with a background in economic development, and someone from rural Nevada with a history in both tourism and economic development. Some of the projects funded included the saving of "Wendover Will," a large neon sign of a cowboy that had long been an icon in Wendover. Funds were partnered with the city of Wendover after local casino owners planned on removing the sign.

Mr. Friedman then explained how communities received grants. They were required to apply for these funds. For the $200,000 available, approximately $1.6 million in requests were submitted.

Another project funded was the Lovers Lock Plaza in Lovelock. The money had also funded two murals for the mural project in Ely, which consisted of more than twenty murals. The Tahoe Rim Trail received funding for interpretive signing.

Mrs. Smith asked whether there was information available to show how successful Lovers Lock Plaza had been, noting that she had seen the billboard campaign.

Mr. Friedman said that it was possible to show an increase in visitation to Loverslock.com.

Mrs. Smith wanted to know whether local business had increased and whether there was anything that could show that people were getting off the freeway and going into town.

Mr. Friedman said the numbers available would be the number of locks placed at the plaza, number of visitors to the Chamber of Commerce, or visitors to Loverslock.com.

Chairman Arberry asked how a grant for $3,000 for a kiosk poster would benefit infrastructure needs for Lincoln County.

Mr. Friedman said that one of the greatest challenges in rural Nevada was not having a Chamber of Commerce open when visitors were looking for information. Several of the communities had applied for funds for kiosks that were placed in prominent places to have information available about what was going on in the community. He said there was one in Tonopah, one in Pahrump, and one in Lincoln County. He further explained that the kiosk was a way to try and make information available to a visitor who might be passing through when there was not a chamber of commerce or visitors authority open.

Chairman Arberry then asked about $4,000 that went to Lake Tahoe for "Bears by the Lake."

Mr. Friedman said this was a special event put on by the Lake Tahoe Visitors Authority—a "Sell-A-Bear-athon." There were different components to this six month festival. The NCOT helped fund two bears of about 50 that were painted by artists and placed throughout the community. These bears were then sold in a big event at Harrah's in October. This was a visitor enhancement while the bears were on display throughout the community.

Chairman Arberry asked whether the event was successful.

Mr. Friedman said that the Lake Tahoe Visitors Authority was happy with the outcome. First of all, the agency was able to raise over $150,000 through the sale of the bears. Also, the authority ran out of the maps that showed where the bears were located. This project also generated media exposure in the San Francisco Bay and the Sacramento, California areas.

Chairman Arberry asked about the matching funds requirement and noted that it could be waived because of financial inability. He wanted to know which local communities had access to these funds.

Mr. Friedman said that any rural community could participate in either of the NCOT grant programs. When the grant programs were started, they began with the idea that there could be a match waiver. He said waivers were not granted because the program allowed in-kind matches. An in-kind match could include volunteer hours.

Chairman Arberry then asked whether anyone from the general public wanted to discuss these budgets.

With no response, Chairman Arberry adjourned the meeting at 10:41 a.m., stating the committee would not reconvene until 8:30 a.m. on Monday, February 12, 2007.

RESPECTFULLY SUBMITTED:

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Todd Myler
Committee Secretary

APPROVED BY:

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Assembly Member Morse Arberry Jr., Chairman

DATE:______________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: February 9, 2007 **Time of Meeting: 8:00 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Tim Rubald/NCED	Budget Presentation
	D	Tim Maland/NCOT	Budget Overview