**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 19, 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 8:11 a.m., on Monday, February 19, 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:**

Assemblywoman Kathy McClain, Chair
Assemblyman Tom Grady
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblyman David R. Parks

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Joseph P. (Joe) Hardy (excused)

**STAFF MEMBERS PRESENT:**

Gary Ghiggeri, Senate Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Brian Burke, Senior Program Analyst
Julie Diggins, Program Analyst
Todd Myler, Committee Secretary
Patricia Adams, Committee Assistant

Chairman Bob Beers requested that Assemblyman Joe Hardy be excused and opened the meeting with Budget Account (BA) 3814, Manufactured Housing.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**MANUFACTURED HOUSING (271-3814)**
**BUDGET PAGE B & I – 59**

Chairman Bob Beers asked about the projections for the reserves associated with this budget account, requesting an overview of what had happened in the 73rd Legislative Session.

Ms. Renee Diamond, Administrator of the Manufactured Housing Division, said that on October 1, 2006, five fees were reduced by regulation. These fees were to have a significant effect on the reserve because they were fees associated with installation. She claimed the manufactured housing industry was pleased when the fees were reduced.

Ms. Diamond stated this was a self-funded agency that was industry driven. There were no accurate projections on what was going to be sold in Nevada or on how many mobile home parks would close. Therefore, installation inspections could not be accurately projected. She estimated that almost 3,000 mobile home lots had been lost statewide because of parks closing. Some of these lost spaces resulted in the move of tenants to other parks; however, some undeterminable percentage of those people moved out of state.

Chairman Beers asked whether there was a geographic distribution of those losses that could be provided. He thought that with mining booming in Winnemucca and Elko there would be new parks opening up in those areas.

Ms. Diamond said that when the Elko office closed in September 2002, they were doing 206 inspections per year. She estimated that approximately 350 inspections would be performed in northeastern Nevada this year.

Chairman Beers asked how many inspections would be performed statewide.

Ms. Diamond said that 5,400 would be performed statewide.

Chairman Beers asked whether inspections would be performed at parks that would be closing.

Ms. Diamond verified that some inspections would be performed on spaces that would be closed. Of the 3,000 spaces that were lost in the last three years, ten percent of those residents did not move to another vacant space. Used homes removed and installed at a new location were reinstalled and, therefore, reinspected. In actual numbers, she said the number of tasks performed under performance indicator 1 were more than 1,000 higher than projected. The projection was 9,200 tasks with the actual being 10,456. An inspector did between six and ten inspections per day depending on location. Because of distance, at times, six or ten inspections performed in a day could also require an extra day of travel time.

Chairman Beers asked how much the reserve amounted to at the end of the last biennium.

Ms. Diamond said it was about $1.5 million.

Chairman Beers clarified that the balance forward was $1.527 million.

Ms. Diamond said the reserve was now about $1.7 million because fewer encumbrances were placed upon it.

Chairman Beers observed that the Legislature's efforts had failed to reduce the reserve.

Ms. Diamond stated that she did not know whether enough time had passed to determine whether the fee reductions would effectively reduce the reserve.

Chairman Beers asked when the fee reductions were implemented.

Ms. Diamond said fees were reduced on October 1, 2006.

Chairman Beers noted the fee reductions would only have been in effect for nine months at the expiration of the current biennium.

Ms. Diamond estimated that she would have a better idea about the effectiveness of the fee reductions on the reserve by June 30, 2007, especially because the winter months were slower. She explained that when it was decided which fees to reduce, the fees that produced the highest revenue were selected for the reductions. For instance, the installation inspection fee was reduced by forty dollars.

Chairman Beers asked whether the Division had a dollar range by which revenue was reduced per year.

Ms. Diamond said they did not.

Chairman Beers thought they should have some idea.

Ms. Diamond said she would have to provide that later. She thought that the reduction would amount to approximately $400,000 based on figures from the previous biennium. She then stated that the number would actually be higher because there had been more inspections and more activities performed which generated other fees than were originally expected. Ms. Diamond reiterated that a better number would be available at the end of the fiscal year.

Ms. Diamond then stated that the Interim Finance Committee granted the Division two "titling" positions. One of those was a receptionist, and one was a manufactured housing technician. This cut the turn around time for titles in half. Where it used to take three months for titles, regular titles were now taken care of in four weeks and "conversions" were done in six weeks.

Ms. Diamond then mentioned that two additional inspector positions were requested in this budget. One of these would be located in Carson City and one in Las Vegas. She then mentioned how accidents and other unforeseen circumstances might occur that would delay normal inspection trips to more isolated areas of Nevada. Overtime was only permitted when inspectors were working in outlying areas. More drive time was now required. The Division did not recognize drive time unless outside a 25-mile radius in the Las Vegas Valley. Ms. Diamond said these problems were "intangibles" out of her control.

Assemblyman Grady commented that he had a meeting with Assemblyman Goicoechea, Assemblyman Carpenter, Ms. Diamond and some of her staff, along with the Director of the Department of Business and Industry that morning. In the meeting, the newly requested employees were discussed along with the reserve account. Mr. Grady had asked that one of these new inspectors be stationed in the Elko area because of the drive time and also the reported delays because of the distance covered. According to Mr. Grady, Mr. Carpenter had been working on a Bill Draft Request (BDR) to ask for Elko County to supply an office for the Northeast Nevada area so an inspector could be placed in that region. Currently, Humboldt County was performing its own inspections, with Lander County soon to follow. It was discussed in the meeting with Ms. Diamond that the inspector in Elko County, who would be a state employee could service the Eureka and White Pine areas as well. The BDR was requested to place an inspector in Elko County to alleviate any problems in that region.

Assemblywoman McClain asked how many inspections were performed in the Elko area.

Ms. Diamond said it was projected that the number of inspections in northeastern Nevada would be 350 in the current year. She further explained that because of the distances involved, the amount of time required for inspections in urban areas could not be applied to the northeastern area, or even to the Carson City office, where the inspectors also covered Reno, Yerington, and Fallon.

Ms. McClain noted that someone stationed in Elko would cut down on the distance traveled; however, the total number of inspections over the year would amount to around two inspections per work day compared to the six to ten performed by inspectors in more urban areas.

Ms. Diamond verified that Ms. McClain's calculations were correct. She then pointed out that an inspector in Elko, assuming the rent was paid by Elko County, would cost around $55,000 with benefits per year. There was enough in the Division's reserve to purchase a vehicle and computer equipment.

Ms. McClain asked whether the Elko inspector could be a part-time employee.

Ms. Diamond said the complication with manufactured housing inspections is the distinctive codes involved. The codes were created by the U.S. Department of Housing and Urban Development and were different from the codes used by local building departments or the codes that typical construction industry people understood. Because of the difference in the codes, she said that her division felt that the inspector needed to be a state employee.

Ms. McClain asked whether the two inspectors requested in the budget included the employee to be placed in Elko.

Ms. Diamond said the request did not include the inspector in Elko. Additional inspectors were needed in both Carson City and Las Vegas. The Las Vegas office currently had two inspectors and needed a third. The Carson City office had only one inspector and needed a second. These positions would help when the existing inspector was on leave, or was working far from the office and traveling, at times, over 150 miles in one day. Drive time was organized and scheduled to avoid making long trips for one inspection only. However, it was important for timely inspections to take place, for example, so that needed utilities could be turned on.

Ms. McClain asked for details about a management analyst position they were requesting.

Chairman Beers then interjected and asked for details on workload by geographic area. In order to reconcile the request with needs, it was necessary to see where the work was taking place. He then asked who currently did the inspections in Elko.

Ms. Diamond said that the responsibilities were alternated between the Carson City and Las Vegas offices. The inspections in the Elko area took place every other week.

Chairman Beers noted that having someone in Elko would give Carson City a 25 percent boost in capacity.

Ms. Diamond verified the Chairman's remark and said that individuals in the Carson City area who needed inspections would not have to wait as long.

Chairman Beers stated that the information on geographic work load would have to be provided quickly, as this was the last time this budget was to be discussed in a committee. Ms. Diamond would have to convince the money committees in writing that this made sense. Chairman Beers observed that with one inspector in Elko, work loads would be alleviated because the Carson City and Las Vegas offices were currently losing an inspector one week each month to travel to the Elko area.

Ms. Diamond said she would compile the figures from the individual receipts and would provide the figures to the Subcommittee.

Chairman Beers observed that knowing the locations of inspections might make a "good managerial tool" and should become part of the routine process.

Ms. McClain asked why the Division needed a management analyst position.

Ms. Diamond stated the Division's weakness was the type of information Chairman Beers had just requested. Until the Interim Finance Committee approved an accounting support position, there was only one accounting person, preventing her from developing the statistics and the trends needed. She said that a management analyst provided the expertise, which the agency currently lacked, to compile such information in a professional way. Ms. Diamond said it was difficult to project national trends and trends in Nevada. She believed Nevada new home sales and used home sales were down approximately twenty percent in the current year, but this was based on workload and other information that came through the office. She acknowledged there were better, more scientific ways to compile this type of information.

Ms. McClain said the Subcommittee would consider the request. She then asked about the Attorney General Cost Allocation in the budget, which they had projected to increase significantly.

Chairman Beers then interjected with information provided to him by staff about the effect the reduced fees would have on the Division's reserve. He stated that the reduction in revenue would be $213,405.

Ms. McClain noted that the reduction would bring down the reserves to approximately $1.2 million.

Ms. Diamond verified that it would.

Ms McClain observed that amount was still too high.

Ms. Diamond stated that in 2002 or 2003, the Division's reserve was negative. At one point, the Division considered borrowing from the General Fund to make payroll. She stated that for an agency driven by forces out of its control, it was prudent to have six to nine months reserve on hand. The financial hardship she spoke of occurred in a short amount of time—approximately seven months. The Division went from being financially sound to being nearly insolvent. For example, the Department of Business and Industry had to lend the Division copy paper and other supplies. Under those desperate circumstances, the Division vacated six positions, which were not refilled until recently.

Ms. McClain remembered the situation and noted the volatility in the manufactured housing market. She was concerned about additional hiring when a crisis could reoccur.

Chairman Beers thought that contract positions made more sense.

Ms. Diamond stated that training was an issue with contract inspectors. The average construction inspector lacked the expertise to inspect manufactured housing because of the difference in codes. She contended that contract inspectors could not learn the different codes and requirements. Additionally, the salaries paid to inspectors were not sufficient to attract people. Approximately once every year and a half, one of the inspectors in the Las Vegas office would leave the state's employ to work for a local jurisdiction because they would be paid $20,000 to $50,000 more for certified inspectors.

Chairman Beers noted that was an argument in favor of hiring contracted inspectors.

Ms. Diamond agreed that inspectors should be paid more and said she was looking at reclassifying the current positions into a higher pay grade. The Division charged $100 per inspection with additional fees for a "seal." The contract person would get the $100 for the inspection, but would also have to pay for health insurance, workers' compensation insurance, and auto insurance. Consequently, she believed few people would apply for contract positions.

Ms. Diamond then addressed the consistency of contract inspectors used previously in rural areas. She stated that the consistency in inspections was lacking when compared to that of full-time state inspectors.

Chairman Beers addressed the Attorney General (AG) Cost Allocation projection contained in the budget. He noted that it was projected to go from $20,000 to $200,000 and asked why.

Ms. Diamond did not know why. She assumed that the number came from "somebody, someplace else." She said there was a quarter-time deputy attorney general in Carson City and a half-time deputy in southern Nevada, or the equivalent of a three-quarter-time deputy. She said that when deciding what figures to use, the Division would base their projections on previous experience, or the prior year's budgeted amount.

Chairman Beers asked whether the utilization of a three-quarter-time deputy attorney general had increased.

Ms. Diamond stated that usage had been fairly regular.

Chairman Beers asked whether there was a new Administrative Services Officer in the Attorney General's office.

Mr. Gary Ghiggeri, Senate Fiscal Analyst, stated there was not.

Senator Coffin asked how much time the Attorney General's office had devoted on her Division's behalf. For example, he asked how many cases were documented where court time or prep time was billed.

Ms. Diamond stated there were no cases in which the Manufactured Housing Division was a litigant. She said they were notified when persons the Division licensed were sued. She also said there were three administrative hearings in the past year related to license issues. The Division's titling staff called the Attorney General's office perhaps twice a week. She said the half-time deputy in southern Nevada would often respond to her staff when notices of violation were sent out.

Senator Coffin asked her what the Attorney General's billable rate was.

Ms. Diamond stated she did not know and that the Division never saw a bill from the Attorney General's office. Once a month, she received a report showing what cases were open and closed.

Chairman Beers asked Mr. William Maier, the Division's Administrative Services Officer, about the Attorney General's Cost Allocation and whether it was something allocated to the Department of Business and Industry and then reallocated to the sub-agencies, or whether it was billed directly to the sub-agencies.

Mr. Maier said the AG's cost was allocated directly to the sub-agencies. He said it was based on prior usage, determined perhaps by a third-party's evaluation of the Department's use and the agency's use.

Chairman Beers noted the third-party's evaluation and asked for clarification. He then said this would be considered "lawyer lore," but that the Subcommittee was interested nonetheless.

Mr. Maier believed there was a separate firm that evaluated the usage of the Attorney General's office and then determined the amount to be charged during the next biennium. Mr. Maier said the AG Cost Allocation was similar to the State Cost Allocation System.

Chairman Beers then pointed out that the Statewide Cost Allocation was not increasing as significantly, going from \$21,000 to \$38,000. Meanwhile, the AG Cost Allocation was increased from \$18,000 to \$200,000.

Ms. McClain asked whether the Division could work with staff to come up with the "real rationale" for the large increase.

Mr. Maier said that "our agencies approached us to try to determine where the numbers came from." He further added:

> The Budget Division had...discussions with us as well, and they've allowed us the opportunity of submitting an error correction, to

> take a look at the Department charges as a whole to see if we can redistribute it.

Mr. Maier then apologized and admitted he did not know whether a third party was involved with the AG Cost Allocation and may have misspoken.

Chairman Beers said that because his earlier statement had been referred to as lore, Mr. Maier was "covered."

Ms. McClain then stated that somebody was not "covered" though, because the increase was "ridiculous."

Mr. Maier said his understanding was that the Attorney General's Cost Allocation was based on actual usage and a formula was used in its formulation.

Ms. McClain said it was not possible for the $200,000 estimate to be based on actual usage.

Mr. Maier said he did not know what the formula was but that the Division would try and furnish the information.

Ms. McClain asked why this type of cost discrepancy reached the Legislature before it was questioned.

Chairman Beers noted there had been a change in Department administration and then closed the hearing on B.A. 3814.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, MOBILE HOME LOT RENT SUBSIDY (630-3842)**
**BUDGET PAGE B & I – 66**

Chairman Bob Beers moved to BA 3842 and noted there was little reserve in this budget account and that the existing reserve was shrinking.

Ms. Renee Diamond, Manufactured Housing Division Administrator, began with an overview on the history of this fund. It was created by the Legislature in 1991 as the only lot rent subsidy program in the United States as an alternative to rent control in manufactured home communities (mobile home parks). Fees were collected for each space in the parks and were put into the trust fund for one year. The program then began the following year. In 1993, Rose McKinney James, the Director of the Department of Business and Industry, conducted a study at the request of the Legislature. The fund was expected to deplete its reserve by approximately 2001. In 2002, there were two positions related to this fund, a program officer and a support position. At the time the reserve began diminishing, Ms. Diamond asked the program officer to eliminate the support position to save money for awards, rather than paying salary. Recipients requalified for this subsidy every year, so some would drop off and then requalify at a later time because of personal circumstances. Therefore, the reserve continued to decrease.

Additionally, Ms. Diamond said that because of the closure of parks mentioned earlier, less revenue was being collected. The fees had not increased since she had become the program administrator some 12 years ago. The fees did not apply to spaces where the home in the space was owned by the park. The number of recipients varied from year to year. There was always a waiting list, with two or three homeowners dropping out of the program per year, thus making room for the next clients on the list. Everyone on the list had been qualified financially. This was a self-funded program, but the Division had no authority to raise fees per space; however, Ms. Diamond approached the park owners association about increasing the fees to $18 per space [established at $12 per space pursuant to NRS 118B.213] and was told they would consider it. Additionally, as a result of an audit in 2003, it was determined that the Manufactured Housing Division did not have a statutory or regulatory right to create the waiting list. Consequently, laws were adjusted accordingly. The Division had the statutory ability to reallocate the money to make adjustments to the subsidy. The benefit had been changed from 25 percent of rent with a $100 maximum benefit to 20 percent of rent with a $75 maximum to allow more people to draw the benefit.

Chairman Beers asked when that change took place.

Ms. Diamond said it changed in 2003.

Chairman Beers then asked what percentage of their clients received the maximum benefit.

Ms. Diamond did not know what percentage received the maximum benefit. She said that because rents increased, the amount paid out would fluctuate, so some reserve was needed.

Ms. McClain noted that probably all of the participants received the maximum benefit.

Chairman Beers concurred and then stated the Subcommittee's concern was that the change in fee structure did not change the expenditures.

Ms. Diamond estimated the percentage of recipients receiving the maximum to be somewhere in the 50 to 60 percent range.

Chairman Beers asked whether the Division had determined the percentage of money that renters paid to fund this program that was consumed in administrating it. He noted that in the next biennium it was proposed that out of $350,000 of the projected revenue, only $272,000 was going to subsidize eligible clients. In other words, nearly one-quarter of the revenue was being consumed in administrating the program.

Ms. Diamond said the Division was attempting to rebuild the reserve, having successfully added almost $100,000, because of the volatility of rents and the increase of payments during the year. She contended that this program required a program officer, rather than an administrative assistant. To process applications, the program officer calculated an applicant's annual income based on twelve months of bank statements, their social security award letter, any food stamp letter, and so forth.

Chairman Beers noted that it "leaves us with an incredibly inefficient welfare program."

Ms. Diamond said they were attempting to build the reserve because of the volatility of rents during the year. The Division paid benefits to as many people for whom there was money available.

Chairman Beers asked whether Ms. Diamond had reported to the Subcommittee the number of lots whose renters were charged the fees, and whether that number was going down because of the 3,000 closed spaces in the last year.

Ms. Diamond said the assumption was correct and that the information had been provided to staff. She said that over 2,100 charged spaces had been lost over the last three years.

Chairman Beers presumed that would translate into a loss of more than $20,000 of annual revenue.

Ms. Diamond verified his calculation was correct.

Chairman Beers noted that the revenue projection compared to FY 2006 showed a reduction of $15,000; however, the current proposed work program was above last year's actual fee revenue.

Ms. Diamond was unsure whether the work program was for revenue or the subsidy payments.

Chairman Beers was concerned about the revenue projection for the next biennium given the trend of park closures, especially in the urban areas.

Ms. Diamond did not think this park closing trend would continue. She mentioned that when parks were in negotiation to sell their land, the Division was never notified. However, when the negotiations were finalized and notification letters were sent to the tenants, the Division would receive "ten calls within three days." In such instances, the tenants required to move were worried about moving and whether they would be treated properly. She said there were three smaller park closures pending, but the rate of parks closing was slowing. The 2,000 spaces were lost within a one and a half year period when some larger parks closed. However, she thought a continuing trend of park closures did not exist. She then added that there were no new parks being built.

Ms. McClain noted that at the end of the next biennium, the Division's reserve would practically be gone and asked what would happen to the program.

Ms. Diamond was then notified by Mr. Maier of an adjustment figure that she did not have. She stated that the reserve was only a tool to help when rents were raised between budget cycles. She said they did not need a large reserve because fixed expenses like salaries only went up by the amount set by the Legislature for state employees. She thought that the reserve would be back up around $38,000, which would easily cover the demands placed on it. Ms. Diamond said this would not affect the number of people receiving benefits.

Mr. Maier then apologized for only having the base numbers and not the detail. He then said the lot rent subsidies were remaining flat at $272,000. However, as operating expenditures increased throughout the Agency, the other revenues that normally supported operations affected the reserve. He then acknowledged that the reserve was dropping and that the Division understood the Subcommittee's concern.

Chairman Beers said that revenue was projected unreasonably high, the number of net loss in spaces had been changed from 3,000 to 2,000, the loss in revenue of over $20,000 was shown as a $15,000 loss in revenue, and the

Cost Allocation Reimbursement had doubled. Overall, revenue was dropping, though it was not reflected that way in the budget submitted; and the scope of the "welfare program" was remaining the same, all of this occurring with a low reserve. In the last budget, which was subject to all the same volatility factors as the current one, the Committee was told that a six-month reserve was needed. With this budget submission, however, the Division claimed that no real reserve was needed.

Ms. Diamond said that when this budget was built, the Division knew about the 2,000 spaces, but actually projected the payments to reflect the $15,000 reduction.

Chairman Beers noted that the revenue reduction was probably closer to $30,000.

Ms. Diamond said that the number of parks currently was closer to what the actual number would be at the end of FY 2007, and that she did not foresee similar park closures unless the real estate market changed dramatically, particularly in southern Nevada. She noted that the parks which closed in northern Nevada were not closed for speculation or real estate deals; rather they closed for retirement and other reasons because owners "just needed to be out of the business." She said that the 2,000 spaces were already factored into this budget submission. She reiterated that she had approached the park owners about increasing their contribution. Included in the study conducted in 1993 was the assumption that the reserve would be used up. The reserve still existed because of the careful way in which it was handled. She did not know what the park owners' decision was regarding the additional contributions.

Chairman Beers noted that the additional contribution by the park owners would require a change in the law.

Ms. Diamond acknowledged that a change in the law would be necessary.

Chairman Beers said she would not only need the park owners' cooperation, but also the cooperation of the Legislature.

Ms. Diamond agreed.

Chairman Beers stated there were a number of legislators who believed that it was not the park owners who paid the fee, but the tenants who paid it.

Ms. Diamond said that at the same time she spoke to the park owners, she spoke to the Nevada Manufactured Homeowners Association as well.

Chairman Beers then asked what would happen in the interim without a bill in to change the law if the forces that caused the closures in Las Vegas continued, or in other words, if land remained expensive and mobile home parks were not the highest and best use for that land. He wanted to know what would happen if there was a closure of significant size during the interim.

Ms. Diamond said she would be forced to exercise her statutory authority and remain within the budget. The size of the subsidy payments would have to be reduced.

Chairman Beers then asked for assurance there would be no crisis, and no special session would be called should this happen.

Ms. Diamond said there would be no crisis and no special session would be called. She said she would have to deal with the emotional situation of making needy people more needy. She had spent most of her public life assisting individuals like this, and it would be painful to her to have to reduce benefits.

Chairman Beers said he felt it would be more painful to raise taxes on the tenants. He then asked what the Cost Allocation Reimbursements A and B were. He noted there was a Cost Allocation income figure, meaning the Division was performing some kind of work for another agency, and that there was a Cost Allocation expense, meaning other agencies were doing things for the Division.

Ms. Diamond referred to the legislative audit in 2003 and also the internal control review by the Department of Administration. It was determined that because of the size of the Division, it did not have the ability to keep the work, such as monetary transactions within each budget account. She said there was an employee who received the mail, but another employee had to make the bank deposits, while a third employee needed to approve the transaction. Internal cost allocations were used when someone from one program was performing work for another program. The program officer assigned to this particular budget account performed tasks related to statistics and work performances and also approved the bank deposits to comply with internal control procedures. For example, if Ms. Diamond spent ten or twenty percent of her time on the lot rent subsidy, and not on responsibilities related to B.A. 3814, the account from which her salary was paid, then lot rent money was allocated to pay her salary. There was also cost allocation to the Department of Business and Industry for Department-provided services. She pointed out that this budget did not use the Attorney General cost allocation because the Attorney General's Office services were never used. When there was a hearing regarding denial of the subsidy, the Division handled it internally.

Senator Coffin noted the following:

- Ms. Diamond was on notice that this was the only budget hearing that would be held
- Ms. Diamond's financial person was not with her and that individual would be assisting her in constructing responses to the questions posed and suggestions made by the Committee

There were many manufactured homes in Senator Coffin's district, and he operated under the assumption that if no complaints about the Division were heard, that things were going smoothly. He said he had checked with the park owners association and the manufactured housing residents, and he had not received any complaints. In other words, nothing indicated that the Division was doing a poor job, rents had stabilized, and people knew that land value increases explained previous rent increases. He stated that he was not so concerned about "small items" but instead was concerned about some allocations that were drawing money away from the agency. He said that he did not want it to run short on funds, thereby reducing payments, which ultimately would lead to complaints to the legislators. Therefore, he thought that the discussion was satisfactory and that the letter she would submit would be satisfactory. Unless the letter wasn't sufficient, he did not see any reason to spend more time on this budget account.

Chairman Beers restated his concern about a significant drop in revenue and whether or not the Division had a plan to address such a revenue decline.

Senator Coffin said the lot rent subsidy program should be solvent the upcoming biennium and that Chapter 118B of the Nevada Revised Statutes (NRS) would not be repealed. He said that Ms. McClain also had mobile home parks in her district and perhaps she could verify, elaborate on, or dispute anything he had said.

Ms. McClain said she would not dispute anything Senator Coffin said. She said that Ms. Diamond did a good job, but Ms. McClain was concerned that two budget accounts had excess reserves, while the lot rent subsidy account had a minimal reserve. During the next interim, she suggested that the NRS be examined so the law could be changed in the 75th Legislative Session in order to alleviate the problem.

Ms. Diamond outlined an idea that had been suggested previously to transfer reserves from BA 3814, Manufactured Housing. She had examined the statutes, and such a transfer would have required a change in statute. Ms. Diamond then posed the question of what would happen in circumstances when fee drops began, such as a reduction of $200,000, or what would happen when the industry experienced a downturn as it did in 2003. The most important thing to her, besides the subsidy payments, was the stability of the lot rent subsidy program. For instance, if someone received a subsidy this year, it was important to Ms. Diamond for that person to receive the subsidy as long as they still qualified. Ms. Diamond thought it was a sensitive issue to discuss other avenues of subsidizing lot rents, such as inspection fees. She noted the lot rent subsidy program was initiated by the park owners at a time when rent control was a big issue.

Ms. McClain said the park owners "stepped up to the plate because they were scared to death that something was going to happen to them." She thought that the actual awards were too small to actually benefit anyone. She asked what the income level requirement was.

Ms. Diamond responded that the income level was changed according to federal guidelines.

Ms. McClain said that the park owners did not "do anybody any favors at all." She then noted there should be some flexibility in the administration of the program. She said the Legislature counted on individuals like Ms. Diamond to make sure the program remained solvent. However, she thought the Division should have the proper staffing and expertise to handle a low-reserve situation.

Ms. Diamond agreed that more money would be helpful. She stated that Chairman Beers was correct when he pointed out that the fees were passed through to the tenants. However, the residents, through their association, were not opposed to an additional increase. She said the tenants wanted to take care of their neighbors and that many tenants took care of poorer neighbors in other ways. Many of the subsidy recipients brought small gifts to the Division office as a way to show appreciation for the subsidy. Ms. Diamond said when someone received only $500 to $600 per month in total income, a payment of $70 or $80 towards rent was very beneficial.

Chairman Beers closed the hearing on BA 3842 and opened the hearing on BA 3843.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, MOBILE HOME PARKS (271-3843)**
**BUDGET PAGE B & I – 72**

Ms. Renee Diamond, Manufactured Housing Division Administrator, explained that when the budget was prepared, the actual number of mobile home parks in Nevada was 433. The original projection was for 450, but there were parks that had closed as she mentioned earlier. Currently, however, there were 432 parks. The number of spaces was originally 26,691, but with the adjustments for the closures, the number was actually 25,650.

Ms. Diamond noted that BA 3843 was financed by a $5 annual payment for each rental space; however, this payment was not collected on park-owned homes. This budget was affected by the loss of spaces, but the reserves were sufficient to maintain solvency. She said that an increase in the $5 annual payment would not be needed. There was a landlord/tenant representative in Carson City and one in Las Vegas.

Ms. Diamond said that the number of complaints related to parks had gone down as park managers were educated about the problems of renters. Because of park closures and other issues, however, the complaints had become more complex. A typical complaint used to be handled with a phone call. Because of the current nature of the complaints, the time to resolve issues required "months and months of paperwork." She attributed this to the rise in corporate and out-of-state ownership, and partly because tenants were "more complicated than they used to be."

Ms. Diamond said this budget was fairly simple, though there was a request for an enhancement to replace some software.

Chairman Beers asked about a letter of intent that had been given the Division previously to look into moving some of this budget account's reserves into the lot rent subsidy budget account. He wanted to know what had been determined based on that request.

Ms. Diamond stated that moving reserves would only delay, not solve the problem. She said that stability in the lot rent program was critical. A good way to stabilize the fund was for the park owners' contributions to be increased and that borrowing from another budget account was the worst option.

Chairman Beers brought Ms. Diamond's attention to Enhancement Unit E710, which had a request for software upgrades for two computers amounting to $340 apiece. He asked Ms. Diamond what software the Division planned on upgrading.

Ms. Diamond did not know. She noted the requests were made to upgrade existing software and not for different software.

Chairman Beers asked whether an annual fee was paid for Microsoft Office, stating that Division staff had told the Committee staff the request was for upgrades to Microsoft Office XP. Chairman Beers also asked that she find out if the computers to receive this upgrade had Microsoft Office XP and whether they would get better computer performance by implementing this upgrade.

Ms. Diamond said she would provide the information Chairman Beers requested. She noted that in-house Information Technology staff who recommended upgrades, though the license fees were an ongoing expense.

Chairman Beers then closed the hearing BA 3843.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, CONSUMER AFFAIRS (101-3811)**
**BUDGET PAGE B & I – 82**

Chairman Beers opened the hearing on BA 3811 by asking about the supplemental appropriation requested for stale claims and terminal-leave costs. The Subcommittee was under the impression that terminal-leave costs could be paid from the statutory contingency fund.

Mr. James Campos, Commissioner for Consumer Affairs, stated there were two budget accounts, B.A. 3811, which was the Consumer Affairs main account, and B.A. 3807, the Recovery Fund. He deferred the Chairman's question to Ms. Lorraine Newlon, the Consumer Affairs Chief Financial Officer.

Ms. Newlon stated that terminal-leave costs could be paid from the contingency fund but, in this particular instance, the cost was for an employee who would be retiring in the upcoming fiscal year.

Chairman Beers asked her to restate her answer.

Ms. Newlon said it was placed in the budget in anticipation of the retirement of a staff member.

Chairman Beers stated that the problem was that the request was not in the budget, but rather in a supplemental request. He mentioned some old telephone bills that were missed in the original budget submittal and also the terminal-leave costs. The Subcommittee was under the impression that terminal-leave costs could be paid from the statutory contingency fund rather than the General Fund.

Ms. Newlon agreed.

Mr. William Maier, Department of Business and Industry Administrative Services Officer, said there was money available in the Board of Examiners Contingency Fund, but was limited to $12,000. He was not sure what the terminal-leave payment came to.

Chairman Beers said that it amounted to $8,238.

Mr. Maier then stated that the use of the contingency fund would be considered.

Chairman Beers then suggested that the Division's staff work with Committee staff to make the necessary adjustment.

Mr. Maier said they would do so.

Chairman Beers asked Mr. Campos to tell the Committee about himself.

Mr. Campos said that he joined Consumer Affairs sixteen days prior and previously had been working in the Governor's office in Las Vegas.

Chairman Beers asked whether he ever had to answer incoming phone calls, especially from upset individuals.
Mr. Campos said he had.

Senator Coffin asked about his philosophy in Consumer Affairs, and what his plans were.

Mr. Campos stated that his major priority was to serve the people of Nevada and to make sure that the citizens of Nevada understood what the agency did, who the agency was, and how the agency could help them. The Division had great potential but needed more positive community outreach. His goals were to improve education outreach, image control, image awareness, and organizational structure to make the agency more efficient.

Senator Coffin asked what Mr. Campos thought about the people he had to deal with.

Mr. Campos asked for clarification.

Senator Coffin was concerned about Mr. Campos's ability to properly handle upset individuals. He wanted Mr. Campos to understand that he would be approached by people from all walks of life who were in desperate straits. He said that Mr. Campos was the interface with the government. The Governor and the Legislature looked bad or good depending on how well Mr. Campos handled complaints. Senator Coffin said:

> [The Legislature had] not given you the statutory authority to do something. But you have to be able to finesse in such a way that all problems are possibly solvable. But you have to be able to say to people sometimes, 'we can't solve it.'

Senator Coffin said the Division was very important to legislators. Mr. Campos had the opportunity to make the legislators' jobs tough or easy. Senator Coffin thought the ability to handle complaints satisfactorily would be learned on the job, and the Commissioner's job was "not a 40-hour a week job."

Mr. Campos concurred with Senator Coffin. Dealing with angry individuals was something he had done in the telecommunications and publishing industries. Mr. Campos had also dealt with "many angry people" in his short time at the Governor's office and through his campaign experience. He then restated his plan to make Nevadans aware of the Consumer Affairs Division.

Ms. McClain asked how Consumer Affairs interacted with the Attorney General's Consumer Protection unit. She wanted to know whether they coordinated the same cases or whether they addressed different issues.

Mr. Campos said the Division would be increasing its coordination and communication with the Attorney General's office. He said there was not a duplication of services. There were different administrative duties and that the two units did "totally separate things."

Ms. McClain asked whether this agency referred complaints to the Attorney General's office.

Mr. Campos said that at times complaints were referred.

Ms. McClain asked what happened to the computer system Consumer Affairs was going to purchase but didn't, and where the money was at that point.
Ms. Newlon said the money was still in BA 1325. The agency did not purchase the computer system because the chosen vendor could not guarantee that the required timeframe for implementing the system would be met.

Ms. Laurie Flynn, Department of Business and Industry, Information Technology Manager 3, explained that an attempt was made to negotiate a contract with the aforementioned vendor; however, the vendor was unwilling to commit to an eight to nine month implementation schedule. She said this would have pushed the process over into the new biennium. Options were reviewed to reduce the scope of the project and to complete it within the current biennium. Unfortunately, the vendor would not commit to this timeframe. She stated that to her knowledge, moving the funds from one biennium to the next was not possible.

Chairman Beers said, "For future reference, we have a way." Then he asked what the plan was currently and whether they were planning on remaining with the same vendor.

Ms. Flynn said after their attempt to reduce the scope of the project with the current vendor, the Agency had decided they wanted to explore other options and had entered into the Request For Proposal (RFP) process with the Department of Information Technology (DoIT) and various other agencies. She said they were working to do a "Good of the State" contract with various vendors. This allowed for any state agency with a licensing technological need to pick a vendor from a list, similar to an imaging contract license currently in place. She stated the RFP process took a minimum of six months to complete. This "Good of the State" contract allowed for faster implementation and contract negotiations.

Ms. McClain asked whether Ms. Flynn or DoIT was handling the RFP process.

Ms. Flynn said she was working with DoIT, which was coordinating the effort with various other agencies involved.

Ms. McClain asked whether this was why the Division had paid DoIT $27,000.

Ms. Flynn explained that the $27,000 was spent trying to get the previous contract negotiated, making sure they had the right scope and requirements, while limiting the project to the budget allocated.

Ms. McClain asked what happened to the remainder of the $340,000 appropriation or had it reverted to the General Fund.

Ms. Flynn said it would have reverted, but was interested in the reference Chairman Beers made about using the funds in the next biennium. She said the RFP process would be done in April, and that the Agency would go directly to negotiations if the funds were still available.

Chairman Beers was concerned they were making this "molehill into a mountain." He observed they needed a ticket-tracking and ticket-resolution system with history. He said it was not very complicated and it should not be very expensive. He said the cost should have been going down, but was going up in the budget. He was confused why the project was so difficult. He noted that it was a multi-user, probably a SQL backend, ticket-tracking system. It logged incoming tickets, logged resolutions, and provided a list of outstanding issues at any time. Chairman Beers asked whether there were "only 18 users," or whether everyone in the agency needed to use it, which he thought was unrealistic.

Ms. Flynn said that in the original planning stages, it was thought that existing servers would be used for the software. The vendor, however, recommended that the tracking system have its own server. The vendor also recommended a higher-end server for this purpose than Ms. Flynn believed was necessary. She said that for 20 users, a "2800 series" server was sufficient. However, the vendor recommended "6000 series" servers, which cost an additional $10,000 per server, with a minimum of three servers. The vendor estimated a $300,000 minimum cost for the project not including any additional reporting needs the agency had, which amounted to around another $9,000.

Ms. Flynn then explained that Consumer Affairs did what it could to reduce the overall cost, exploring other alternatives, such as buying Crystal Reports and doing in-house reporting. With the remaining budget and the vendor requiring $300,000, there was not enough money left for purchasing a server for $15,000, especially when the tracking system was planned to be placed on an existing server, which the vendor recommended against for performance reasons. Once the vendor communicated that they were unable to implement the project with the time left, the Division's only option was to go through the RFP process. Ms. Flynn worked with DoIT and the Purchasing Division to "fast-track" an RFP to make it happen. Ms. Flynn then reported that a good portion of the RFP process had been completed and that several vendors might offer a lower-cost solution. Before this project was bid again, Consumer Affairs wanted to make sure the bids included the software and hardware necessary to avoid having to suspend the tracking system project a second time. Additionally, this new RFP also included the "Phase 2 item," which was originally submitted for the imaging portion of the project. This added $70,000 to the overall cost, according to Ms. Flynn.

Chairman Beers asked for clarification regarding the extra $70,000 for the project.

Ms. Flynn explained that it was for the imaging portion of the project, or document management handling, making it much easier to send documents across the State. This was to cut down on paper waste and also to allow for proper placement of staff, depending on where the workload was generated.

Chairman Beers asked about the Enhancement Decision Unit E710 asking for five flat panel monitors to use with their existing DOS-based tracking system.

Ms. Newlon said the monitors were to be used with the agency's computers.

Chairman Beers asked whether the State was only buying flat-panel monitors.

Ms. Newlon said that flat-panel monitors were purchased when they were the same price as the other more conventional monitors.

Chairman Beers was not convinced that the flat-panel monitors would be the same price.

Ms. Flynn interjected that the new state standard was to use flat-panel monitors.

Ms. McClain noted that the State had "some nice standards." She then asked whether laptops were purchased for individuals who also had desktop computers.

Ms. Newlon said that if the individual traveled, that person would have a laptop instead of a desktop. Clerical positions used desktop computers.

Chairman Beers asked whether there were five broken monitors.

Ms. Newlon said that when a laptop was ordered, a monitor was also ordered.

Chairman Beers clarified that there were three computers in the budget and also five monitors.

Ms. Newlon then said the Agency had eight laptops with no monitors.

Chairman Beers restated Ms. Newlon's claim that the Division had eight computers sitting around without monitors.

Ms. Newlon said they were not sitting around. She said that it required additional time to get them started in the morning. She said the agency was not asking to replace all of those computers or to get a station for all of them.

Chairman Beers asked Ms. Newlon to clarify her statement about the computers requiring additional time to start in the morning. He seemed to think that all that was needed to start the computers was to flip a switch.

Ms. Newlon stated the investigators had to set up the computers every morning.

Ms. Flynn said that having a monitor with a laptop added a day-to-day efficiency, acknowledging that laptops were fine when the investigator traveled. At a desk, however, it was difficult to use the laptop screen, and the monitor was not hard to connect to the laptop. Ms. Flynn also thought that an employee's vision would be enhanced by a regular monitor rather than using a laptop screen all the time.

Ms. Newlon said there were supposed to be docking stations for the laptops to plug into.

Chairman Beers asked Mr. Campos to explain the declining caseload, and why an increase was expected.

Mr. Campos said that caseload was expected to increase because of the upcoming outreach and awareness program that would soon be initiated.

Chairman Beers asked why the caseload declined.

Mr. Campos said he believed caseload had declined because of a lack of public awareness. Currently, each investigator had approximately 250 cases to be worked. For this reason, investigators were limited in their ability to properly outreach to the communities and do proper follow-up on the cases being worked.

Chairman Beers asked whether changes had been made in the outreach program, and what those changes included.
Mr. Campos said the changes were "proactive initiatives that will be taking effect within a month or two." Currently, there was not much of an outreach program, other than public service announcements and "outreach on airways." Mr. Campos said that he planned to do some more "grassroots style outreach." He further explained that the outreach would have little effect on the budget.

Mr. Hogan asked whether Mr. Campos felt the Division had been sufficiently aggressive from the consumer's point of view. He also wondered whether the program should be "tuned up" so that the caseload would increase because people believed help would be forthcoming. Mr. Hogan then mentioned that recovery per case completed was approximately $150, which sounded like a low amount because, in each case, a consumer had taken this course of action to obtain relief. Mr. Hogan asked Mr. Campos what the Division's objectives should be to acquire a reputation for being tough, noting that Consumer Affairs was looking out for consumers' best interests.

Mr. Campos said there were a few issues that needed to be addressed. He said that the perception of the agency in Nevada could be improved to educate consumers by identifying cases where Consumer Affairs protected consumers' interests and that were not being reported. Mr. Campos believed that consumers were either not aware of the Agency or had not been helped properly in the past. This was a major theme he was going to address. Mr. Campos noted that technology improvements were needed to properly address cases that were being hampered by the current antiquated tracking system. Mr. Campos believed that Consumer Affairs did a "valuable job" for Nevadans and could continue to do so in a more streamlined fashion.

Mr. Hogan then turned to the performance indicators and noted that they identified the number of actions taken. Mr. Hogan asked whether there was a way for members of the community to get a sense of the level of success in obtaining relief for their complaints. He invited Mr. Campos to consider different performance indicators that would better demonstrate the impact the Division had, or perhaps conduct a survey of complainants or organizations to determine how the agency was perceived. Mr. Hogan believed this would provide valuable guidance, particularly for a new Commissioner, such as Mr. Campos. Mr. Hogan noted that the number of cases closing was about the same number of cases that came in, but did not demonstrate the quality of service. He hoped to see in the next session better indicators that reflected how much the Division had accomplished for aggrieved consumers.

Ms. Mendy Elliott, the Director of the Department of Business and Industry, stated there were opportunities to step back, reach out to the constituents, and make sure all the Department's agencies were doing what the Legislature intended. She said there would be new performance indicators in the next session. She then invited Mr. Hogan to drop by the Consumer Affairs office to help Mr. Campos understand what would be most helpful for legislators. She said Consumer Affairs felt strongly that it needed to serve Nevada one client at a time. Whatever the benefit to the aggrieved consumer was, whether the amount was $75 or $150 or $5,000, it was the Division's responsibility to help consumers properly address their grievances. Ms. Elliott assured the Subcommittee that Mr. Campos and the Division were committed to doing what the Legislature intended.

Chairman Beers closed the hearing on BA 3811 and opened the hearing on BA 3841.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, HOUSING DIVISION (503-3841)**
**BUDGET PAGE B & I – 132**

To begin Chairman Bob Beers asked whether there was a request coming from the Housing Division regarding the Governor's housing proposal for teachers.

Mr. Charles L. Horsey, III, Administrator of the Housing Division, said the Division was close to having a proposal and had been working with the Clark County School District. He said most of the important points had been outlined and a plan was forthcoming. Mr. Horsey then said there would not be an increase in the performance indicators until May or June because that was the peak time of year for people to relocate and purchase homes, and this also coincided with the School District's recruitment period.

Chairman Beers asked whether there would be more information coming on the housing program for teachers.

Mr. Horsey said there would.

With that being the case, Chairman Beers said that the housing program for teachers would not be discussed at this meeting other than the impact the program had on the Division's budget proposals.

Chairman Beers asked about changes from the original proposal in the internal loan servicing program contained in Enhancement Unit E326.

Mr. Horsey said there was a significant decline in demand for first-time homebuyer mortgages. This happened primarily because the private sector offered rates comparable to the program's rates. As a result, the Division did two things. First, it started cutting back in size. Second, it developed a structure that outsourced many of the responsibilities conducted by their in-house loan servicing department. This enabled the Division to cut down on the demand for services.

Chairman Beers said that Subcommittee staff was verbally told that the $25,000 allocated to the internal loan processing program was going to be shifted to the Governor's Affordable Housing Initiative.

Mr. Horsey stated that when he started in the business 41 years ago, assistance for down payments did not exist. Approximately ten to twelve years ago, as Nevada experienced increasing real estate prices, it became necessary to offer this down payment assistance. Recently, substantial assistance was necessary for many to purchase an affordable home. The program being developed for teachers had a down payment assistance component. Mr. Horsey said the Division had hoped that training could be funded for the in-house servicing, because financial institutions were reluctant to service small loan portfolios.

Mr. Lon DeWeese, the Chief Financial Officer of the Housing Division, said that Mr. Horsey's comments were accurate. He reemphasized that there were few interested in taking on these small loans and collecting the forty or fifty dollar payments every month. Therefore, the Division was again looking at processing those payments internally. He said the teacher program would require some adjustments be made in the internal loan processing system.

Chairman Beers asked what percentage of the program's funding was consumed in administrating it.

Mr. DeWeese said that approximately $1 million to $1.2 million of down payment loans were being administered, with the E326 request being only $25,000 each year of the biennium.

Chairman Beers asked what the annual repayment amount was.

Mr. DeWeese said the down payment loans were amortized over twenty years, with some loans allowing for a delayed start to the payments.

Chairman Beers asked for clarification. He asked for the dollar figure of the income stream or loan payments that were being administered.

Mr. DeWeese said it was not just the loan payments that needed to be serviced. Making the loans required special handling as well. The scope of responsibility included making $1 million to $1.2 million in loans per year as well as making the $20,000 to $25,000 per year in deposits. The payments being received were usually very small. If many payoffs came in, the total might amount to as much as $200,000.

Mr. Horsey said that not all of the loans made for down payment assistance were amortized. Some of them were due on sale notes. If individuals with those notes were to sell their homes, the entire down payment had to be repaid. The new down payment assistance program being developed for the teachers would mirror the income the teachers would make. The Clark County School District was very supportive of this program.

Chairman Beers asked, "So, did I hear $20,000 or $25,000 annual income stream off normal loan payments, then we're spending $25,000 a year administrating it?"

Mr. DeWeese said that the $25,000 was a one-time capital expenditure.

Chairman Beers asked whether the $25,000 each year under the new plan was just one-shot funding.

Mr. DeWeese said the money would be used for the advanced database and spreadsheet adjustments that needed to be made to the loan servicing programs.

Chairman Beers asked whether there was an ongoing cost to administer the program.

Mr. DeWeese said to administer a down payment loan required from one to one and a half days for a loan officer and that the workload could be handled without changing the current staffing levels.

Chairman Beers asked whether there was a change with the Affordable Housing Initiative in the plan to transfer an accountant 2 position.

Mr. DeWeese said the change was part of the Housing Division's reorganization when four loan officer positions and one accounting position were vacated because the number of loans being processed internally had dropped. The Division now used mortgage-backed securities, or a portfolio of loans, as opposed to individual loans.

Chairman Beers asked him to verify that the accountant 2 position could be eliminated.

Mr. DeWeese said that the termination had been made.

Chairman Beers said he still needed justification from the Director's office for the accountant 2 position.

Mr. Horsey said that in the last two or three years he estimated that approximately eighty percent of the Division's portfolio had been paid off. He said the Division did not refinance loans, but people took advantage of equity increases as home values went up to sell their homes and purchase better ones. This, in turn, allowed for the accountant position to be moved to the Director's office.

Chairman Beers said they had an auditor 2 position and a loan administrator position that had been vacant for more than two and a half years. He asked whether those positions could be eliminated.

Mr. DeWeese said actions to fill the auditor position were currently underway and that revised job specifications were being put together.

Chairman Beers asked whether job specifications already existed.

Mr. DeWeese said they did.

Mr. Horsey said that the Division wanted to recruit someone who had familiarity with federal programs such as the tax credit program, which had its own unique needs. He said the job announcement had just been posted in the previous week.

Chairman Beers asked whether the loan administration officer position, which had been vacant for almost three years, could be eliminated.

Mr. DeWeese said the Division could answer that question when the details on the Affordable Housing Initiative were received from the Governor's office.

Chairman Beers said that would be acceptable.

Assemblyman Grady asked whether the new program would be available only in Clark County or if it would be a statewide program.

Mr. Horsey said it would be offered statewide, but that the details would be worked out in Clark County because the largest need existed there.

Mr. DeWeese said, "It is a fact that almost every school district throughout the state has a severe shortage of math, science, and special education teachers." This program was focused on those types of teachers, and therefore would be applicable statewide.

Mr. Horsey reiterated Mr. DeWeese's comments.

Assemblyman Hogan noted there was difficulty in understanding what resources would be necessary for the affordable housing program because of the lack of information on the Initiative from the Governor's office. He asked to what extent the Housing Division was directly involved in developing the Initiative.

Mr. Horsey said the Housing Division was "taking the lead" on the development of the teacher's program and then asked whether Mr. Hogan was referring to that program.

Mr. Hogan said he was interested in a broad program that included the teachers, but also a comprehensive program to meet the need of all large employers who were having difficulty attracting employees. He said this was a very important issue for the poor and for seniors. He explained that not only teachers needed help, but also others needed help, such as police and firefighters. He asked when a new affordable housing program might become available for the State.

Mr. Horsey said there was a series of public meetings conducted every year regarding the Division's tax credit program. There were as many as five meetings held per year, with at least two in Clark County, one in Washoe County, and one in the rural areas to garner input from the communities on what the priorities of the program should be. For example, priority had been given to the senior population for a number of years. He said there were years when the Housing Division had financed the construction of more rental housing for senior citizens than the rest of the state's financial institutions combined, according to Mr. Horsey. At times, priority had been given to studio apartment rentals. The Division had financed at least three of these projects, and soon two other projects in the downtown renovation areas of both Las Vegas and Reno would begin so workers could walk to work at the downtown casinos. At other times, priority had been given to family rentals, like two or three bedroom units. Every year, the Housing Division conducted these public hearings to receive feedback on housing needs. However, Nevada had led the country in population growth in 19 of the 21 years Mr. Horsey had been Administrator, and the only state-funded affordable housing had been the low income housing trust fund [BA 3838]. This period represented unprecedented extended low interest rates combined with rapid population growth. With a good portion of the state's low and moderate income population earning less that $14 per hour, it was a daunting task to provide affordable housing. Mr. Horsey said there would be testimony given later in support of some of the initiatives currently in place. Progress had been made and would continue, but Mr. Horsey then posed the question, "Will it be resolved?" Mr. Horsey did not think the affordable housing problem it would be completely resolved.

Chairman Beers closed the hearing on BA 3841.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, LOW INCOME HOUSING TRUST FUND (101-3838)**
**BUDGET PAGE B & I – 141**

Chairman Beers opened the hearing on BA 3838 and asked whether the obligated and non-obligated reserves could be separated.

Mr. Horsey said that many questions had been asked over the years regarding the Low Income Housing Trust Fund. Mr. Horsey believed the most pertinent issue was how much of the fund consisted of monies from past years. He said that local governments were notified about how much they could expect to receive from the Fund that year, once the Housing Division was notified by the State Treasurer's office how much money would be available. Approximately 85 percent of the money in the Fund went to local governments. The local governments then would prioritize where the money could go. For example, if a local government decided to fund a "bricks and mortar project," it would be three years before the project was ready to open. Particularly in Clark County, builders of affordable housing had difficulty finding labor because they could not afford to pay their employees as much as conventional contractors did.

Chairman Beers then said the Subcommittee wanted to split the reserve into two accounts. One would be an obligated reserve, and the other would be a non-obligated reserve, which would be available for the budget account's ongoing operations.

Mr. Horsey said that one problem that developers had was limiting expenses without knowing they would be receiving funding; therefore, it was important for developers to know "where they stand in the pecking order" when application was made to the local government for the allocations. Mr. Horsey stated that of all the monies allocated to local governments in 2004, only $22,765 remained.

Chairman Beers thought that the public should be able to look at the Housing Division's financial statement and see what funds had been allocated.

Mr. Horsey said the funds would have been allocated to local governments.

Chairman Beers understood, but said the account should be able to show an obligated portion of its reserve.

Mr. DeWeese said almost 100 percent of the funds received would have been obligated immediately. Other than the Administrator's portion, the budget account would not have unobligated funds. The funds were all obligated to the local jurisdictions.

Chairman Beers noted that when an allocation was made, money should have been moved out of reserve into an allocated or obligated reserve account.

Mr. DeWeese agreed.

Chairman Beers said that account should be drawn down when funds were requested from the local jurisdictions.

Mr. DeWeese said the draws were made as construction materials were purchased.

Chairman Beers understood that.

Mr. DeWeese asked for clarification of the Chairman's request.

Chairman Beers asked that a journal be posted at the point of obligation to debit the reserve and credit the obligated reserve.

Mr. DeWeese said that could be done.

Chairman Beers asked how soon the change could be made and whether the Division could put the proposal together and submit it to Subcommittee staff to be incorporated into this budget request.

Mr. DeWeese said it would be submitted.

Chairman Beers asked about performance indicator number 2, which forecast a decrease in the number of families receiving help over the next biennium.

Mr. Horsey said the Division expected a softening in the real estate market that would result in a decline in the amount of revenues received by the Fund. That had not happened yet, but was still expected. Additionally, the developers of affordable housing in both Clark and Washoe counties had not been able to increase their rents for several years because the rental rates authorized by the Department of Housing and Urban Development. Mr. Horsey said there would be an increase in rents, which would result in a reduction in the number of units that could receive rental assistance. He added that as land costs went up, it required more money from the trust fund to finance projects, thus reducing the total number of units that could be constructed.

Mr. Horsey further explained that it required funding from all available sources to make a project feasible. For example, the assisted living project in Clark County needed free land, which came about through federal legislation. The project also received an $800,000 contribution from Harrah's, which was matched with money from the Low Income Housing Trust Fund. The project also received affordable housing subsidies from Clark County.

Chairman Beers inquired about the projected proceeds from their percentage of real property transfer tax going down from an actual 2006 figure of $13 million to $10.6 million for the next three years.

Mr. Horsey said because of the softening in the market, not only in number of sales, but also in home prices, the amount of money that went to the Fund would also decrease.

Chairman Beers asked whether these numbers were reconciled to the Economic Forum's projections.

Mr. DeWeese said the number was derived from the Economic Forum's forecast.

Chairman Beers noted that the number might have to be adjusted after the Economic Forum's May meeting.

Mr. DeWeese agreed.

Chairman Beers closed the hearing on this budget account and opened the hearing on BA 4865. [Note: The hearing on BA 3838 was reopened following the hearing on BA 4865 to take public comment.]

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, WEATHERIZATION (101-4865)**
**BUDGET PAGE B & I – 141**

Mr. Horsey, Administrator, Housing Division, said the weatherization program was a huge success and had been transferred to the Housing Division five or six years previously. He stated that this program was the "state's attempt at supply-side economics" in order to decrease energy usage by making homes and apartments more "economically viable." One of the reasons this program was placed with the Housing Division was that the Division at one time led the nation with strong energy conservation standards for any project financed. This program was also geared toward low and moderate income homeowners and renters. The primary beneficiaries had been senior citizens and the mobile home community. These were the groups that were most at risk and that could least afford large power bills.

Chairman Beers agreed that mobile home tenants should be focused on with this program. He then asked about the increasing reserve and whether additional homes could be weatherized by spending some of those funds.

Ms. McClain asked how many different weatherization programs were available in Nevada.

Mr. DeWeese said there were two programs, one funded by federal funds through the U.S. Department of Energy (DOE) and the second program funded by the universal energy charge on gas and electric utilities.

Ms. McClain asked what the federal program was called.

Mr. DeWeese said it was called DOE's Weatherization Grant Program.

Ms. McClain restated that there were only two programs statewide and then asked what Help with Southern Nevada, Nevada Power, and Southwest Gas did with weatherization.

Mr. Arthur Thurner, Chief of Federal Programs, Housing Division, said the funds for the two programs were administered by Help with Southern Nevada. This organization worked with utility companies as well. The utility companies also had weatherization programs. Local non-profit organizations would deliver this type of service, though the recipients of the weatherization assistance did not necessarily know where the funding came from.

Mr. Horsey said that Help with Southern Nevada was a sub-grantee. Training and staffing of these non-profit organizations for the specialized services they provided was an ongoing responsibility of the Housing Division.

Ms. McClain noted that the Housing Division acted as a "pass-through" for these organizations. She then disclosed she was a member on the Board of Trustees for Help with Southern Nevada.

Chairman Beers said the Subcommittee's concern was that the reserve for this budget account was increasing from $615,000 in FY2006 to $860,000 in

FY2008 and to $960,000 in FY2009. He asked whether it was possible to weatherize more homes by not building up the reserve.

Mr. Craig Davis, Weatherization Program Manager, said the reserve was not used because the Division had heard from the federal government that the Department of Energy could potentially cut the program by 31 percent. Therefore, the Division decided to leave that money in the reserve until notified of the federal outcome. Since then, they were told that the program would probably be funded by a continuing resolution for this year; however, it appeared that the program would be cut by 41 to 42 percent in the next year. In order to avoid "any peaks and valleys" in their funding levels to sub-grantees, the Division decided to keep the money in reserve. Mr. Davis noted that $150,000 was recently released to Help with Southern Nevada and another $40,000 to the Agency's rural service provider, the Rural Nevada Development Corporation.

Chairman Beers said, "We would like your new computer system better if it would give us energy savings in dollars."

Mr. Davis said that the program's energy savings could be provided.

Chairman Beers noted that the performance indicators reflected the number of cases completed and the average money spent per case. He requested that measures of output be provided, yet mentioned that the Weatherization program was "in the top 25 percent in performance indicators."

Mr. Davis said that for each home weatherized, the Division tracked the total energy savings achieved, both through therms and kilowatt hours. He said that converting it into dollars would be simple.

Chairman Beers said that therms and kilowatt hours instead of dollars saved might satisfy the Subcommittee as well.

Mr. Davis said the information would be provided.

Chairman Beers asked that Mr. Davis convince the Subcommittee of the importance of the proposed energy savings tracking system.

Mr. Davis said the Division was considering a new Demand Side Management program funded through Nevada Power and Sierra Pacific. The Division tracked energy savings for the utilities, so the idea of moving the tracking program completely under the Division's jurisdiction had been discussed; however, he was not sure of the outcome of that decision. In the event that the program was to be moved, Mr. Davis said it was necessary that funding be available. If the project was not moved, he said the money would be subsequently passed on to sub-grantees.

Chairman Beers closed the hearing on BA 4865 and reopened the hearing on BA 3838 to receive public comment.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, LOW INCOME HOUSING TRUST FUND (101-3838)**
**BUDGET PAGE B & I – 141**

Chairman Beers invited members of the public to speak, including representatives of the Low Income Housing Trust Fund.

Ms. Ann Harrington, a consultant from Affordable Housing & Community Development, represented the Nevada Housing Coalition and the Regional Housing Task Force from Washoe County. She mentioned there were two letters (Exhibit C and Exhibit D) submitted to the Subcommittee from those organizations. These letters outlined four points regarding the Low Income Housing Trust Fund. The main intent of the letters was to illustrate the need for more money in the Fund. As money going into the Fund was going to be decreasing, she said the Subcommittee needed to understand that those dollars paid for fewer housing units. She claimed the same amount that would build 84 senior low-income apartments in 2005 in Reno, would build only 39 units in 2007. The cost of land and increasing construction costs were causing this effort to fall behind. Ms. Harrington then asked for the addition of $40 million to the Low Income Housing Trust Fund to keep pace with the need and demand for low income housing in Nevada.

Mr. Mike Mullin, President of Nevada HAND (Housing and Neighborhood Development), which was a non-profit low income housing developer from southern Nevada, stated that Clark County's Growth Committee was established in 2004. In 2005, this group identified affordable housing to be the number one growth issue. Also in 2005, Clark County commissioned a workforce housing study. The study estimated there would be a need of 12,000 additional housing units per year for the next ten years just to keep up with the growth of the area. That did not take into account the current affordable housing deficit. Mr. Mullin said he was at the meeting to urge the Subcommittee to consider in the upcoming appropriations bills that the Low Income Housing Trust Fund was a necessary tool to meet the demand for affordable housing. He then noted that with more growth the affordable housing program continues to get worse.

Chairman Beers thanked them for their comments and closed the discussion on BA 3838.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, INDUSTRIAL RELATIONS (210-4680)**
**BUDGET PAGE B & I – 166**

Opening BA 4680, Chairman Bob Beers noted the two proposed new positions in the Workers' Compensation unit and one proposed new position in the Administrative Services unit and asked whether the two positions in Workers' Compensation were the result of an audit.

Mr. D. Roger Bremner, Administrator of the Division of Industrial Relations (DIR), said the request was the result of increased workload, noting that one of the positions was in the Employer Compliance unit in Carson City, while the other one was a general administrative position in the Las Vegas office. He then said the administrative position requested for the Administrative Services unit was to be used to improve collection efforts. Mr. Bremner said when he started with the Division there was no collection system. Since then, a good collection system had been developed; however, he said administrative help was needed to maintain collection efficiency.

Chairman Beers asked whether revenue would increase if these two new positions were approved.

Mr. Bremner said that it would be possible for revenue to increase if the position in the Administrative Services unit was approved. He said that the position in the Employer Compliance unit could drive up revenue because this unit ensured that employers had Workers' Compensation insurance. That way, the State did not have to treat them as uninsured claims. This unit collected fines that went to the Uninsured Claim Fund, and claims that took money from that fund could decrease with the new enforcement position.

Chairman Beers said the Subcommittee thought the positions requested were more due to the results of the audit and questioned whether the audit findings could be complied with through policies and procedures rather than new positions.

Mr. Bremner stated there were 15 audit recommendations, and the data processing request [E586] was part of the response to those recommendations. He said the audit findings revealed that more management reports were needed to manage accounts receivable, or claims and bills due for uninsured claims, fines, and other penalties. Since their conversion from two-way insurance to "three-way/two-way insurance," the Division had undergone many changes. Mr. Bremner said DIR instituted a "proof of coverage" system, and a "claims indexing" system, which allowed people to index claims in order to prevent fraud. One of the audit findings was that DIR was running between 40 and 50 small databases and spreadsheets that needed to be coordinated. The audit also found that DIR was incapable of generating many needed management reports. The Division agreed with the audit findings, and therefore submitted a request to improve its workers compensation data system. Mr. Bremner was unsure how the costs for the improvements were determined, but acknowledged that he was not the data processing expert.

Chairman Beers asked who the data processing expert was.

Mr. Bremner said he thought the cost figures came from DoIT, but said Ms. Laurie Flynn was the Department of Business and Industry data processing expert. He said he knew that DoIT was in the process of selecting a vendor to create a new data system. Mr. Bremner further explained that DoIT had called him in the previous week to ask whether one of the Division's staff could serve on the selection committee.

Chairman Beers said the Subcommittee needed more information soon because this was dealing with "implementing commercial, off-the-shelf systems." He did not think this involved one vendor. Chairman Beers wondered whether the Subcommittee had heard anything about the project from DoIT.

Ms. Laurie Flynn, Information Technology Manager, said the price had increased to include project management costs. However, the cost of the DIR project was lower than Consumer Affairs Division project, considering that Consumer Affairs already had an existing infrastructure that DIR could use.

Chairman Beers said the Consumer Affairs project did not make much sense as currently designed. When considering information technology projects throughout the State, the Industrial Relations project was much closer to the norm than the Consumer Affairs project.

Ms. Flynn said she based the budgeted amounts upon estimates given her by the vendors involved. This was why she thought DIR should "take a good responsible look" at other vendors and what systems were available.

Chairman Beers agreed that should be done.

Ms. Flynn explained that when it was determined that the Consumer Affairs project could not be completed during the current biennium, that decision also affected the DIR project because DIR would have received a $200,000 discount for using the same IT project vendor as the Consumer Affairs Division. Ms. Flynn noted that the Consumer Affairs project would still cost approximately $300,000, which was the reason she was working through the RFP process with DoIT as explained under Budget Account 3811.

Chairman Beers noted that part of the contracting problem was that the State shops for vendors by notifying those vendors in advance what the State is willing to pay for a particular project. Chairman Beers then asked whether ongoing support and maintenance of the workers' compensation data system would be provided in-house or through an outside contractor.

Ms. Flynn said she believed the system would be maintained through providers. First, she thought that some in-house support could be provided by the Department. Second, the Division wanted to partner with DoIT for any secondary needs, such as comprehensive reporting. Third, as an alternative, the Division could contract with the original vendor for more complicated maintenance and support of the system.

Chairman Beers asked whether a product had been identified yet.

Ms. Flynn said no product had been selected yet. She said the RFP process would be complete in April.

Chairman Beers asked whether there was a schedule for conversion, implementation and testing.

Ms. Flynn said they did not yet have a schedule.

Assemblywoman McClain asked about the replacement equipment [E710, E715, E719], specifically in regard to which positions were not getting the new computers.

Ms. Lori Meyer, Administrative Services Officer for DIR, said that 77 computers were to be replaced. She clarified that the computers for the new positions were in the decision units for those positions. She mentioned that the three that were not requested were for the three information technology positions, which received new computers in the last budget. Ms. Meyer said the reason the 77 computers were to be replaced was because those computers had been transferred from other Division budget accounts, BA 4682 and BA 4685, after the 73rd Legislative Session, because all the computers in those two budget accounts had been replaced with grant funds. The DIR used the transferred computers the past two years because they were in better condition. However, those transferred computers were now approximately six years old and needed to be replaced.

Mr. Hogan asked what performance indicator 6 was intended to measure and why it had varied so much.

Mr. Charles Verre, Chief Administrative Officer for the Workers' Compensation Section of the Industrial Relations Division, said performance indicator 6 measured Internet visits, telephone inquiries, individuals who visited and participated in training programs, and complaints that came through the office. He said the performance indicator measured everything that came to the office from the public. He noted the large variation in performance indicator 6 and explained the way Internet count was measured was changed from Internet hits to Internet visits to count only those persons who spent time on the website.

Chairman Beers asked whether that change was Mr. Verre's idea.

Mr. Verre said it was.

Mr. Bremner said that Industrial Relations had an ongoing dialog regarding performance indicators and what they truly reflected. He said it was difficult to "get performance indicators that truly indicate performance." He said that the indicators showed the Subcommittee that DIR was "out there working." However, Mr. Bremner admitted it was difficult to fully understand the overall impact of DIR's efforts. He thought this was probably true for many other agencies as well.

Mr. Hogan then mentioned that the State Controller had offered State agencies help in converting performance indicators from numerical accounts to more meaningful indications of effectiveness and how much assistance the public received. He then suggested that DIR contact the Controller.

Mr. Bremner said the suggestion was noted.

Chairman Beers closed the hearing on BA 4680.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, OCCUPATIONAL SAFETY & HEALTH ENFORCEMENT (210-4682)**
**BUDGET PAGE B & I – 175**

Chairman Bob Beers opened the hearing on BA 4682 and asked about twelve new positions requested in Decision Unit E325.

Mr. Bremner said there were six positions requested for the first year of the biennium and six more in the second year. He noted that the last time this budget account was granted new positions was in 1999. That was a direct result of the Sierra Chemical explosion when it was determined that more safety workers were needed in the field. Since that time, no new safety positions had been added.

Chairman Beers noted that the performance indicators remained flat through the next biennium and suggested that with a staffing increase there should be positive impact on those indicators.

Mr. L. Tom Czehowski, Chief Administrative Officer for the Occupational Safety and Health Administration (OSHA) in the Division of Industrial Relations, said that he would normally agree with that logic. He noted the performance indicators were a guide to what services OSHA provided. In 2001, when Mr. Czehowski began his employment in this capacity, there were many positions vacant. Those positions were filled, but OSHA inspectors needed at least a year of training before they became productive. There were at least four trips to the OSHA training institute involved. There was continuous in-house training on the Nevada Revised Statutes, the Nevada Administrative Code, the Nevada Operations Manual, and so forth. New inspectors also worked with a senior inspector. Mr. Czehowski said that it took approximately eighteen months before a new inspector would be doing inspections on his own, starting with small complaint investigations. From there, it took years to recognize hazards in any industry, at least to the point of being able to note the potential hazards to be able to check them later against published standards in the office.

Mr. Czehowski continued with his explanation of the flat performance indicators and said since the new positions were approved in 1999, OSHA had experienced high turnover due to the rapid growth in Nevada. For example, in 2005, ten safety inspectors left the agency, and in 2006, another fourteen left. Mr. Czehowski said that a majority of the field staff was lost as well. The turnover required recruitment of new people, some of whom may have had experience, but most were recent Occupational Safety program graduates. These people had to be trained "from scratch." It was a technical field that required training and experience; therefore, as turnover occurred, inspections dropped.

At the same time, according to Mr. Czehowski, there were other responsibilities that had been placed on OSHA that had increased duties without generating inspection numbers. For example, as the population of the State, the workforce, and the work sites had grown, the number of complaints, referrals, and discrimination investigations under the federal "Whistle-blowers" act increased. In fact, OSHA had one full-time safety inspector who was working as a discrimination investigator in southern Nevada with an additional inspector working part-time on discrimination investigations. Continuing, Mr. Czehowski said there were also more pre-construction meetings, as construction increased; there were more meetings on tower crane erection and dismantling, which were all statutorily mandated; there were more complaints and referral investigations, which took more time than regular inspections; and there were also more fatality investigations. Mr. Czehowski stated that fatality investigations required significant amounts of time, during which other inspections could have been completed. During this same period of time, federal OSHA requirements for the Volunteer Protection Program began, requiring more staff time away from normal duties. Additionally, the new national response plan was released, which combined all the emergency response plans in the nation.

Chairman Beers recognized the extra duties that had been placed on Mr. Czehowski's staff.

Mr. Czehowski reiterated that the federal government mandated many responsibilities for OSHA to handle.

Chairman Beers asked why the mechanical object database system did not get upgraded in the current biennium. He noted that the Legislature approved approximately $250,000 for that in the last budget. He observed there was another $270,000 earmarked for that same purpose in their Enhancement Decision Unit E586.

Ms. Flynn stated that options were reviewed to see if an in-house partnership with DoIT and also a commercial-off-the-shelf (COTS) solution could work. One option explored was to adopt the same IT vendor that Consumer Affairs would be using for its database system.

Chairman Beers asked whether that same vendor specialized in COTS systems for ticket-tracking.

Ms. Flynn said it did.

Chairman Beers noted that the vendor being discussed, apparently, also specialized in mechanical object databases as well.

Ms. Flynn acknowledged that as well.

Chairman Beers said the vendor had "many specialties."

Ms. Flynn said the ultimate goal was to find one solution that was flexible enough and scalable enough to meet the various needs of all the agencies in order to negotiate a better price.

Chairman Beers asked whether this approach to improving the databases throughout the Department of Business and Industry was coming from DoIT.

Ms. Flynn said it was not.

Chairman Beers said, "When we say commercial off-the-shelf software, I don't think we're thinking programming languages with which you would then create disparate mechanical object databases and ticket-tracking systems."

Ms. Flynn said the right system that was flexible and scalable enough could be implemented in various agencies. She considered this an off-the-shelf solution. Ms. Flynn thought an in-house agency person could be trained to do minor modifications, such as file name changes and basic reporting. If some of DoIT's staff was also trained, they could do more comprehensive reporting and adding of menus. For more complicated updates, a partnership with the vendor was needed, according to Ms. Flynn.

Chairman Beers said, "We don't consider C++ and SQL to be commercial off-the-shelf software packages."

Ms. Flynn said that most COT solutions provided a "front-end solution" and then offered a SQL or Oracle database on the "back-end."

Chairman Beers acknowledged that, but asked whether such an approach would be equally suitable for complaint ticket-tracking and a mechanical object database.

Ms. Flynn said it was. She claimed that these types of software programs had come a long way and had become more "rules-based," allowing for modifications.

Chairman Beers said that software systems developers have also come a long way in writing various packages for complaint ticket-tracking, one of which can be bought for $30,000, instead of $300,000. He was unsure about mechanical object databases, but said these types of packages were what the Subcommittee considered to be commercial off-the-shelf software, and something that did not require much modification. Chairman Beers said that OSHA performed tasks that were like those performed by many organizations. He also said there would need to be further discussions on this issue.

According to Senator Beers, the prices for the computerization improvements requested throughout the Department were high compared to those elsewhere in state government. Other agencies were not seeking computer systems customized specifically for that division or agency, but were rather seeking systems that had already been used by similar organizations. He thought it would be better to change Nevada law to the program requirements that of other states or counties or cities than change software if the basic function of the organization was the same.

Chairman Beers restated his question asking why the OSHA mechanical object database project was not completed in the current biennium.

Ms. Flynn said that research and due diligence was performed to see whether it would be more cost effective for the database system upgrades to be developed in-house by DoIT, or if it was better to do a COTS solution. Ultimately, it was decided to go through the RFP process, which was time-consuming. Instead of having each agency within the Department go through this process individually, it was decided to go through the process once with DoIT and various other agencies so that different vendors could be identified and approved.

Chairman Beers noted there was approximately a 30 percent increase from the previously budgeted amount for this project and the current request. He asked how much was due to price increases versus scope increases or whether it was a combination of the two.

Ms. Flynn stated that the increase was because project management was also included in the current request. Because of the number of technology requests that would come in the future, she thought it was practical and prudent for the successive projects to include project management costs. There were some technical costs associated with the increase, but most of it was project management and costs associated with finding the most appropriate price.

Chairman Beers closed the hearing on B.A. 4682 and recessed the meeting at 11:02 AM.

Chairman Beers reconvened the meeting at 1:03 PM on February 19, 2007, and opened the hearing on BA 4685.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, SAFETY CONSULTATION AND TRAINING (210-4685)**
**BUDGET PAGE B & I – 183**

Mr. Bremner said Budget Account 4685 contained a request for three new positions.

Chairman Beers asked what these positions were going to do for the agency.

Mr. Jan G. Rosenberg, Chief Administrative Officer for the Safety Consultation and Training Section (SCATS) of the Division of Industrial Relations, explained that two positions were requested for the first year of the biennium, one in Las Vegas and one in Reno, and that the third was requested for the second year of the biennium in Las Vegas. The primary purpose of the positions was to handle the growth experienced, a growing back log, and an increase in construction activity, particularly in southern Nevada.

Chairman Beers noted the performance indicators showed lower levels of activity than experienced in FY 2006.

Mr. Rosenberg verified that performance indicator levels were projected to decrease.

Chairman Beers said this situation was "surprising if you're [going to] increase staff."

Mr. Rosenberg explained that in order to handle the growth, having not added staff since 1999, SCATS had done more limited-service surveys. He explained, for example, that if a client asked for SCATS to review a particular workplace safety or health concern, the survey would usually be a full-service survey, which was very comprehensive; however, because of a backlog caused by the growth, more limited surveys were conducted. Mr. Rosenberg proposed adding more staff to do the comprehensive consultative surveys once practiced. The other factor to be considered was that over the last six years, federal OSHA required SCATS to start and then strengthen the Safety and Health Achievement Recognition Program (SHARP). About 26 companies were contained in this program, some were in "full-SHARP" status, and some were in "pre-SHARP" status. Mr. Rosenberg said SCATS' goal for October 1, 2007, was to have 31 companies in the program. These required an extensive amount of service and went beyond a normal customer contact.

Chairman Beers asked whether this program was ongoing.

Mr. Rosenberg said it was. Federal OSHA kept asking them to expand the program.

Chairman Beers asked whether there was a performance indicator reflecting the SHARP workload.

Mr. Rosenberg said SCATS had a federal performance indicator. However, that indicator was not placed into the indicators submitted with the budget, because SCATS was asked to cut back the number of performance indicators from eight to six.

Chairman Beers asked whether it was the Legislature that had asked for the reduction in performance indicators.

Mr. Rosenberg said that was his understanding.

Chairman Beers observed that it would be inconsistent to require SCATS to raise the number of performance indicators to nine in the current session.

Mr. Rosenberg said SCATS could add a seventh performance indicator regarding SHARP.

Chairman Beers observed that SHARP was preventing the normal performance indicators from going up and that SCATS needed more staff to comply with its requirements; however, with the increasing federal mandates, the decrease in the performance indicators would continue.

Mr. Rosenberg said he would appreciate being able to hire the additional staff, but noted that it took a long time to complete the hiring process.

Chairman Beers noted that the projected performance indicators were lower than actual 2006 numbers.

Mr. Rosenberg said that was correct.

Chairman Beers then asked about training videos in Decision Unit E327.

Mr. Rosenberg said the money allocated for the videos was for all three offices: Las Vegas, Reno, and Elko. This request was for 60 videos, or 20 for each office. He said SCATS had to buy the videos in sets.

Chairman Beers noted that actual videos shown in FY 2006 was 32,000 and that the number was projected to drop to 20,000 in FY 2008 and then increase to 25,000 in FY 2009. He said the Subcommittee expected an increase in the number of employees viewing health and safety videos should there be an expanded video library.

Mr. Rosenberg said that some of the videos were updates or replacements. He said that renting out videos over many years caused them to break and wear out. Some of the content was dated as well. Most of the money allocated for the videos was for replacements.

Chairman Beers asked whether SCATS was switching to DVDs.

Mr. Rosenberg said that in the last purchase SCATS acquired a number of DVDs. He considered the use of DVDs as an unofficial "pilot program." Mr. Rosenberg was concerned that the DVDs would get damaged or scratched.

Ms. McClain asked how many videos SCATS was buying.

Mr. Rosenberg said the money requested would purchase approximately 60 videos.

Ms. McClain expressed surprise at the cost of $18,000 for 60 videos.

Mr. Rosenberg explained the videos were very expensive, at approximately $300 per video, which represented a bulk purchase price. Normally, the videos sold in retail outlets for up to $600 a piece.

Chairman Beers asked whether the price of videos had gone down over time.

Mr. Rosenberg said the price had not decreased over time.

Chairman Beers asked whether SCATS had shopped for a new video vendor.

Mr. Rosenberg said SCATS used two or three different vendors and that the price was fair.

Chairman Beers closed the hearing on BA 4865 and opened the hearing on BA 4686.

**DEPARTMENT OF BUSINESS AND INDUSTRY**
**B&I, MINE SAFETY & TRAINING (210-4686)**
**BUDGET PAGE B & I – 190**

To begin, Mr. D. Roger Bremner, Administrator, Division of Industrial Relations, introduced Mr. Ed Tomany, the Chief Administrative Officer for the Mine Safety and Training Section (MSATS), saying Mr. Tomany would answer questions about mine safety and the one position that was being requested.

Chairman Bob Beers asked whether Mr. Tomany was from Tonopah.

Mr. Tomany said he was from Tonopah.

Chairman Beers asked whether Mr. Tomany had requested the new training position.

Mr. Tomany said he did request one training position.

Chairman Beers asked why the position was needed.

Mr. Tomany brought the Committee's attention to the performance indicators and pointed out a slight decrease in the projected mine inspections. He said that currently, the mine inspectors were doing "dual-duty," as they were also trainers. Each year, as equipment became more sophisticated, inspections became longer as well. Their classroom, or training time, did not change, however. The lengthy training time required additional help in training and inspections, which Mr. Tomany believed could be accomplished with one new position.

Mr. Bremner said that Mr. Tomany had nine staff who performed training and inspection functions. Mr. Bremner noted there were currently two vacancies, which might account for the lower performance indicators.

Chairman Beers asked whether any of Mr. Tomany's staff had experience underground.

Mr. Tomany said they did.

Chairman Beers noted that those individuals must have been around a long time and might be near retirement.

Mr. Tomany said that he himself would be retiring in three years.

Chairman Beers observed that open-pit mining had been practiced for a very long time in Nevada.

Mr. Tomany said that in 1990 or 1992 there was another influx of underground mining in Nevada. The industry had grown from the first shafts dug at Newmont Mine and Barrick Mine to 18 underground operations with another three in the planning stages. He compared this to the remarks made by Mr. Czehowski about the sophistication with OSHA. He said this went beyond the plant structure. Once underground, it was easy to complete an inspection 50 to 100 feet deep; however, the existing operations were 2,000 feet underground with "miles of workings." Equipment had become more sophisticated as well. For example, the surface trucks used now were 300 ton trucks. Mr. Tomany said that one of these trucks would haul the equivalent of ten semi-trailer trucks on the highway. The inspections, therefore, were lengthier to properly address safety, industrial hygiene, and occupational health issues. Mr. Tomany said, "It's a catch-up issue everyday." He further added that it was also market-driven. When the metals market was high, the State experienced an increase in exploration and an increase in mining.

Mr. Bremner stated that MSATS was also responsible for sand and gravel operations, which were particularly important in southern Nevada. The Section performed training and inspections for those operations as well.

Senator Rhoads asked whether MSATS was the agency that cited a mine in Elko County for mercury levels.

Mr. Tomany said it was.

Senator Rhoads stated there was some confusion because it was testified by mining companies in another committee that mercury levels had been reduced significantly over a three-year period. He noted there was an article in the Reno Gazette Journal that related how the University of Nevada, Reno (UNR) had obtained different mercury-level figures. He then asked how MSATS measured mercury levels and what basis there was to cite the Elko mine when the mining industry claimed levels were way down, while UNR contended levels were way up. He asked whether the same measuring equipment was used by the different entities.

Mr. Tomany said he was not aware of what methods the Environmental Protection Agency (EPA) and the Nevada Division of Environmental Protection (NDEP) used for their offsite measurements. Onsite measurements were done with a mercury analyzer, similar to a gas detector, which showed the operator whether levels were high. At that point, mercury badges were placed on the workers themselves. The measurements were specific to workers on site.

Senator Rhoads asked how high the "rating" was on the mine that was cited.

Mr. Tomany said he did know, but that it was an ongoing investigation that had begun in August. He acknowledged that the mine exceeded the allowable federal threshold limits for on-site workers.

Senator Rhoads asked why the EPA did not find this as well.

Mr. Bremner said it was difficult for the agency to provide a direct response because of the ongoing nature of the investigation. Mr. Bremner did not know why NDEP did not catch the high mercury levels, unless NDEP was not on-site at the time. He said his Division found the reading in response to a dust complaint from a worker. As a result of that investigation, the high mercury levels were measured. The situation had been referred to the proper agency, which Mr. Bremner thought was still doing testing, and also to the legal department.

Senator Rhoads asked whether MSATS had the most modern and best equipment available for testing mercury.

Mr. Tomany stated that proposals had been submitted to the DIR Administrator recommending updates to regulations regarding mercury exposure. He also said the equipment MSATS had was good but had high maintenance costs. He concluded by saying MSATS budgeted for new equipment when appropriate.

Mr. Hogan noted a decline in the performance indicators from the FY 2006 projections to the actual FY 2006 numbers. He then noted that those numbers went back up in the new projections. Mr. Hogan then asked whether this was a reflection of the two inspector positions being vacant.

Mr. Tomany said it was both a reflection on the shortage of manpower, and on the increased length of inspections, especially at the larger facilities.

Mr. Hogan asked whether MSATS was primarily measuring mercury levels below ground in the mine tunnels. He noted that both a UNR professor and NDEP measured outside air and asked whether this would account for the difference in measurements when compared to MSATS measurements.

Mr. Tomany responded with the following:

> No sir. We measure mercury on the surface for the workers in the process facilities also. We wouldn't measure underground if in fact there's mercury as a constituent of the ore in elemental, or in raw form, so to speak. But, our measurements, primarily the issue that we have right now on the issue that Senator Rhoads asked, were measurements on the surface at the process facility. So we measure at the process facility for those workers involved in the process facility and anyone else that's exposed within that area, within the mine site, and equally underground.

Chairman Beers asked whether MSATS could test "mercury uptake" in humans or whether there was only a test for the environment around the humans.

Mr. Tomany said there was a test and that he had made a submission to the DIR Administrator regarding an old statute in Chapter 512 of the Nevada Revised Statutes, which specifically addressed mercury processing plants. He had proposed a change to the language of that statute to allow for usage of the tests Chairman Beers had asked about for both blood and urine mercury levels in workers at locations where mercury was produced. The tests would not necessarily apply to only refining or processing facilities, but for any process where mercury was a byproduct that was collected. Mr. Tomany felt strongly that such tests should be conducted.

Chairman Beers asked when mining of mercury had stopped in Nevada.

Mr. Tomany said the last operating mercury producer was FMC Gold at Paradise Peak in Gabbs, Nevada; however, there were other mines that collected it as a by-product of their processes and were able to collect enough of it to sell commercially. Because of the levels collected, he had asked for the statute change mentioned previously.

Senator Rhoads asked whether coal-fired power generation plants "put out" mercury.

Mr. Tomany said that was his understanding from what he had read, but he did not have first hand knowledge and did not enforce controls on those emissions.

Chairman Beers asked for verification that three pickup trucks with camper shells had been removed from the budget request.

Ms. Lori Meyer said there were still three trucks in the request, two in the first year and one in the second year of the biennium, but that there was a duplication within the budget request when it was submitted. Therefore, the duplicate request was removed.

Mr. Bremner said the camper shells were lockable in order to allow for the hauling of equipment.

Chairman Beers adjourned the meeting at 1:26 PM.

RESPECTFULLY SUBMITTED:

Todd Myler
Committee Secretary

APPROVED BY:

Senator Bob Beers, Chair

DATE:

Assemblywoman Kathy McClain, Chair

DATE:

## EXHIBITS

**Committee Name: Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government**

**Date: February 19, 2007** **Time of Meeting: 8:00 a.m.**

| Bill | Exhibit | Witness / Agency | Description |
|---|---|---|---|
| | A | | Agenda |
| | B | | Attendance Roster |
| | C | Nevada Housing Coalition | Letter |
| | D | Regional Housing Task Force | Letter |