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

Seventy-Fourth Session
March 5, 2007

The Committee on Ways and Means was called to order by Chairman Morse Arberry Jr. at 8:04 a.m., on Monday, March 5, 2007, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/74th/committees/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry Jr., Chair
Assemblywoman Sheila Leslie, Vice Chair
Assemblyman Mo Denis
Assemblywoman Heidi S. Gansert
Assemblyman Tom Grady
Assemblyman Joseph P. (Joe) Hardy
Assemblyman Joseph Hogan
Assemblywoman Ellen Koivisto
Assemblyman John W. Marvel
Assemblywoman Kathy McClain
Assemblyman David R. Parks
Assemblywoman Debbie Smith
Assemblywoman Valerie E. Weber

COMMITTEE MEMBERS ABSENT:

Assemblywoman Barbara E. Buckley

STAFF MEMBERS PRESENT:

Mark W. Stevens, Assembly Fiscal Analyst
Laura Freed, Program Analyst
Anne Bowen, Committee Secretary
Patricia Adams, Committee Assistant

Chairman Arberry opened the hearing on Budget Account 1050.

SECRETARY OF STATE
BUDGET ACCOUNT (101-1050)
BUDGET PAGE ELECTED-107

Ross Miller, Secretary of State, introduced himself and presented an overview of Budget Account 1050 in conjunction with a Power Point presentation, and Exhibit C, Biennial Budget Request, FY 2008-09.

Mr. Miller introduced his staff: Nicole Lamboley, Chief Deputy Secretary of State; Scott Anderson, Deputy for Commercial Recordings; Matthew M. Griffin, Deputy Secretary for Elections; Kate Thomas, Deputy for Operations; Chris Lee, Deputy for Southern Nevada; Doug Perry, Administrative Services Officer (ASO); and Lani Smith, Information Technology Manager.

Mr. Miller stated Budget Account 1050 had been prepared by his predecessor, Dean Heller, and maintained the current levels of funding and staffing positions from the present biennium with modest requests for enhancements. The proposed budget as recommended by Governor Gibbons reflected a significant funding shift from the General Fund to the Special Services account. Special Services were the funds generated through expedited fees from commercial recordings.

Mr. Miller explained that the Secretary of State had three budget accounts. Budget Account 1050 covered the general operations of the Office of the Secretary of State; Budget Account 1051 was the Help America Vote Act (HAVA) and was funded almost entirely with federal funds; and Budget Account 1053 was the Securities Revolving Fund. Mr. Miller informed the Committee that the Secretary of State generated most of its revenue through the Commercial Recordings Division. The total revenue generated in the office in 2006 amounted to over $100 million.

Mr. Miller noted that overall revenues had increased 20 percent, and revenue generated per employee was more than $750,000. The Office generated approximately $9 in revenue for every $1 of expense. Over the past 20 years, the revenue of the Secretary of State's Office had increased over 17 times, while expenditures had increased only 11 times. Mr. Miller commended former Secretary of State Dean Heller for improving the effectiveness of the Office through the implementation of the electronic Secretary of State and investments in technology to increase efficiency. Investing in technology and online services had proven to be an effective means to continue to generate revenue through the Commercial Recordings Division.

In 2006, the Commercial Recordings Division had processed 85,000 filings for new business entities, an 8 percent increase over 2005. The Division also processed more than 300,000 total filings for entities in good standing, according to Mr. Miller, a 13 percent increase over the previous year. The filing fees were a significant portion of the $87 million revenue generated by the Division in 2006.

Mr. Miller said the agency continued to see steady use of the expedited filing process which funded Special Services, but as the Office had transitioned to electronic means of filing, there had been a decrease in funds through the Special Services account. Mr. Miller pointed this out because The Executive Budget shifted a significant amount of the Secretary of State's funding from the General Fund to Special Services funding. The expedited funds contributed $11.4 million in 2006 and the decrease for the first seven months of FY 2007 was approximately 22 percent. Mr. Miller said the Agency was seeing a significant decline in the Special Services funding as a result of more customers using electronic filing because there was no need to wait for processing.

The implementation of the Electronic Secretary of State (e-SoS) processing system in January 2005 had increased the filing efficiency. Mr. Miller said the Nevada Secretary of State's Office ranked ninth in filings among the states, and was number 2 in filings per capita. Thirty-one percent of all lists were filed online, and 64 percent of certificates of good standing were available online.

In addition, two-thirds of the Uniform Commercial Code (UCC) services were provided online. Mr. Miller remarked that the agency's commitment was improving services to customers and, to that end, had the following projects planned:

- Provide document imaging
- Establish resident agent section
- Make most commercial filings available electronically
- Enhance document management and reporting/notification

Mr. Miller said the Secretary of State's Office had submitted a Bill Draft Request (BDR), now Assembly Bill 25, that slightly affected the fee structure for some of the filings and commercial recordings. The bill was mainly housekeeping legislation; however, an amendment had been attached to give the Secretary of State's Office the ability to implement administrative regulations to deal with fraudulent practices that had been the focus of media stories.

Mr. Miller pointed out there were no new position requests in the budget; however, as additional needs or mandates were placed into the Office's jurisdiction, the agency would determine whether additional personnel were necessary to carry out those functions. The budget contained some modest enhancements, most were necessary to maintain efficient operations, deliver high-quality customer service, or protect citizens from fraudulent investment schemes.

Mr. Miller highlighted some of the enhancement requests and explained that currently 90 percent of the approved positions were in the classified service. Three management-level positions in the Securities Division were being moved to unclassified service in the proposed budget. Additionally, Mr. Miller was requesting one adjustment in personnel to move the Public Information Officer from the classified system to the unclassified system. He proposed that the salary tier be adjusted in the budget to the maximum, but that the salaries remain at the requested level.

As the expanded budget narrative explained, the budget contained a salary realignment to bring parity to the deputy positions and accurately reflect the skills and qualifications necessary for each position. The budget also contained a 5 percent adjustment for two deputy positions to align with the state's practice that a supervisor made at least 5 percent more than the supervised employee.

The other areas of enhancement included a funding increase to support the Confidential Address Program (CAP) which was established in 1997 to allow victims of domestic violence, sexual assault, or stalking to use a fictitious mailing address maintained by the Secretary of State's Office. Mr. Miller said the CAP protected the participant's identity and reduced the risk of being tracked through public records. The program also enabled participants to participate in the election process by way of confidential voter registration. Since 2005, CAP had experienced a 50 percent increase in participants.

Additional enhancements included funds requested to support the operations of the Advisory Committee on Participatory Democracy (ACPD). In 2003, the Legislature passed Senate Bill 309 which moved the Advisory Committee under the purview of the Secretary of State's Office within the Elections Division. Senate Bill 309 required the ACPD to assist the Secretary of State in identifying and proposing programs that support participatory democracy and improve civic participation. Mr. Miller said that in the 2005 Session, the ACPD established

Democracy Day through a legislative resolution, and in 2007, Democracy Day was tentatively scheduled for April 2. The ACPD also established and awarded the Jean Ford Award, which was created to give recognition to citizens who had played a role in promoting participatory democracy in Nevada. Nominations were currently being accepted for the second biennial Jean Ford Award. Mr. Miller said the ACPD also recommended voter outreach and education groups that deserved funds to support their efforts. In 2006, $65,000 in HAVA funding was awarded per the recommendations of the ACPD. Mr. Miller said the budget contained $10,000 to support annual ACPD expenses.

The proposed budget also contained replacement and new equipment needs. In order to process the volume of commercial filings, the budget included an upgraded, high-speed, automatic mail-opening machine, replacement of 116 personal computers (PCs), 42 printers, 13 servers, and new data processing equipment as part of the enhancements.

Chairman Arberry asked why General Funds were being requested for the ACPD. Mr. Miller said the office of the Secretary of State was limited under the HAVA as to how federal services funds could be expended, and Mr. Miller did not believe funding ACPD travel for committee members to meet fell within the purview of HAVA funding. Chairman Arberry commented that the ACPD had never received General Fund support before. Mr. Miller explained that the ACPD had previously received no funding at all. The ACPD members were all volunteers who received no compensation, and the funding was to pay for travel expenses and ongoing operations.

Chairman Arberry commented that previously Budget Account 1056, the Secretary of State Advisory Committee Gift Fund, had provided the funding for the ACPD. Mr. Miller promised to investigate the matter and inform the Committee of his findings.

Assemblyman Hardy questioned the purchase of the high-speed automatic mail-opening machine and how the machine would address the dissemination of any white powdered substance that could be used by terrorists.

Scott Anderson, Deputy Secretary for Commercial Recordings, stated the issue of white powder in the mail appeared right after September 11, 2001, attacks on the World Trade Center. The Secretary of State's Office had received white powder that had been determined to be of no danger. In light of that experience, the mail room facility had been moved away from the general operations of the Office. Mr. Anderson said several thousand pieces of mail were received each day and to open those envelopes and packages manually would be impossible. The automated system would allow the opening of mail in a timely manner, and the automatic dating of the envelopes would save at least one-half of a Full-Time Equivalent (FTE) employee per year. Mr. Anderson said the office currently had an automated opener that was failing and was no longer supported.

Dr. Hardy asked whether there were any safety features inherent to the mail-opening machine to prevent employees working in the mail room from being contaminated by any dangerous white powder substance. Mr. Anderson responded that currently there were no safety features; however, should a potential problem be recognized, there were procedures to secure the mail room, and Capitol Police and a hazardous materials team would be summoned.

Assemblyman Grady related that his office heard from the counties quite often regarding problems with eliminating social security numbers on documents. He wondered whether the Secretary of State's office was encountering the same problem. Mr. Anderson replied that the only area where the problem existed was in the Uniform Commercial Code (UCC) Division, and the Office would not accept documents that contained a social security number. The Agency was investigating redaction programming to eliminate social security numbers on documents already on file.

Chairman Arberry referred to the Confidential Address Program (CAP) and asked about the increase in funding. He further questioned how many CAP clients there were, and how much the clientele was increasing each year. Mr. Miller replied that CAP had between 400 and 500 clients, and the program had had a 50 percent increase in clients since the last biennium. That was the reason for the request for an increase in funds.

Chairman Arberry asked whether the agency could estimate the number of clients added to the CAP program per year.

Matthew M. Griffin, Deputy Secretary for Elections, Office of the Secretary of State, explained that while it was difficult to provide a precise figure, the estimate was that there were between 100 and 150 new participants per year in the program.

Chairman Arberry inquired about the request for overtime in Enhancement Unit 329 (E329). He noted that there was less funding for overtime requested in FY 2009, a presidential election year, than in FY 2008. Mr. Miller replied that the Office typically had some level of overtime in the Elections Division. The request in E329 went through the presidential election cycle, which was standard and uniform, as the agency would be preparing for the presidential election. Chairman Arberry asked how much of the overtime requested was designated for election overtime, and how much was designated for the Commercial Recordings Division.

Nicole Lamboley, Chief Deputy, Secretary of State, responded that the overtime request included some funding for the Commercial Recordings Division. There were more filings at the end of the year to address tax issues and filing requirements. Overtime work by employees was required to process those filings in a timely manner.

Chairman Arberry inquired about an item under the base budget, and asked whether the Secretary of State had a projection of the amount of Special Services fees that would be collected in FY 2008 and FY 2009. He also asked whether the agency expected to collect enough fees to make the budgeted transfers to the Secretary of State's budget. Mr. Miller said that in the last biennium $11.4 million had been generated through Special Services; however, in FY 2006 there was a 22 percent decrease in Special Services. Mr. Miller admitted there was a concern that a decrease in fees could be a potential problem. In response to a question from Chairman Arberry, Mr. Miller stated the agency could provide projections regarding the number of filings, but did not project the number of customers using the expedited services.

Mark Stevens, Fiscal Analyst, Fiscal Division, Legislative Counsel Bureau, said the Committee needed to be aware of that projection, as the Special Services fees utilized to fund a significant portion of the Secretary of State's budget was increased by approximately $1 million in the first year of the biennium, over and above the amount recommended in this fiscal year. Through automation initiatives undertaken by the Secretary of State's Office, "expedite fees" became less attractive. The Committee needed to determine how much funding might be available from those fees, because if the fees revenue was not available, the Secretary of State's budget could have a shortfall.

Chairman Arberry requested that the Secretary of State's Office provide projections to LCB staff, and Mr. Miller agreed to do so.

Assemblyman Denis asked whether the savings realized because of the efficiencies of e-SoS were already figured into The Executive Budget. Mr. Miller stated that prior to the Governor's recommended budget, the Secretary of State's office was funded entirely from the General Fund to which the agency contributed approximately $100 million. Even though the agency had been more efficient and continued to generate revenue, there had been a decrease in Special Services fees due to electronic filing. If funding were shifted from the General Fund to Special Services, according to Mr. Miller, it could present a problem with funding operations.

Assemblywoman Leslie said that although she did not notice any new fees or fee increases in the budget, she wondered whether there were any. Mr. Miller replied that A.B. 25 provided for nominal fee increases which were primarily housekeeping items to bring some of the fees into conformity with other fees. Mr. Miller said the increase in fees did not significantly increase revenue for the Office.

Ms. Leslie asked who would pay the fee, and Mr. Miller replied it was a filing fee. There were a very small category of filings that were not specifically enumerated in statute, and the agency was placing a uniform fee on those filings. Ms. Leslie referred to the Governor's letter outlining his philosophy on fees, and said she was attempting to determine which fees fit in with that philosophy and which did not. Mr. Miller reiterated that the fee increase was not a significant source of revenue.

Chairman Arberry closed the hearing on Budget Account 1050 and opened the hearing on Budget Account 1051.

SECRETARY OF STATE
HAVA ELECTION REFORM (101-1051)
BUDGET PAGE ELECTED-115

Ross Miller, Secretary of State, presented an overview of Budget Account 1051, the Help America Vote Act (HAVA) Election Reform budget. Mr. Miller stated in 2002, Congress had passed the HAVA to provide states with funds to provide uniformity in the administration of elections, and provide assistance with the administration of certain federal election laws and programs. Originally, Nevada received approximately $21 million in funding. The Secretary of State's Office had received and expended funds for the purchase of direct recording, electronic-voting machines with voter-verifiable paper trails; statewide voter registration lists; the processing of provisional ballots; poll worker and clerk training; and improved access for individuals with disabilities. Mr. Miller cited the following election statistics:

- In 2002, total registrations were 869,859
- In 2006, total registrations were 991,054
- In 2002, voter turnout was 512,433
- In 2006, voter turnout was 586,274
- In 2002, early and absentee voters numbered 209,600
- In 2006, early and absentee voters numbered 292,979

Mr. Miller told the Committee that the Secretary of State's Office maintained a statewide voter registration database that was mandated as part of the HAVA.

Assemblywoman Weber asked whether there would be an end to funding for HAVA. Mr. Miller stated that as far as he was aware there was no sunset provision; however, the State was owed some additional funds from the federal government, but Mr. Miller was not overly optimistic about receiving them. Mr. Miller said there was a balance remaining in the account, and the agency would be compiling a plan to spend those funds.

Dr. Hardy asked whether the replacement of voting machines adhered to a four-year cycle and how broken voting machines were handled. Mr. Miller replied the agency was in the process of creating a maintenance schedule to replace machines as necessary. Clark County had the bulk of machines and had purchased their own machines, while the other counties had purchased their voting machines primarily from the Secretary of State's Office.

Matthew M. Griffin, Deputy for Elections, commented that the Secretary of State's Office was currently corresponding with Nevada counties to formulate a plan for maintenance and rotation of voting machines, as each county had its own needs and voter preferences.

Chairman Arberry asked whether $25,000 requested in E325 for poll worker training would be enough. Mr. Griffin replied that poll worker training was routine for the Secretary of State's Office and the counties. Most of the county clerks had been through an election cycle with the new voting machines, so there was no need for the amount of training that had been provided in the past; therefore, the budget request was lower than previous requests.

Chairman Arberry closed the hearing on Budget Account 1051 and opened the hearing on Budget Account 1053.

SECRETARY OF STATE
INVESTIGATIONS AND ENFORCEMENT (101-1053)
BUDGET PAGE ELECTED-119

Ross Miller, Secretary of State, presented an overview of Budget Account 1053. Mr. Miller stated Budget Account 1053 was the Securities Revolving Fund. Pursuant to a legislative Letter of Intent, the budget had been moved into The Executive Budget. Funds for the account came from miscellaneous fines assessed by the Investigations and Enforcement Division. Mr. Miller said if the funding in the account did not meet projections, supplemental funding through the Interim Finance Committee (IFC) might be requested. The Division enforced securities laws by conducting criminal investigations into white collar crimes and financial fraud relating to the sale or purchase of a security. It also licensed investment professionals, athlete's agents, registered securities investments, and educated the public about investment fraud. Enhancement Unit 327 (E327) requested a new motor pool sedan for the purpose of transporting suspects, E710 requested replacement equipment in accordance with guidelines established by the Department of Information Technology (DoIT), and E720 requested two new network printers.

Chairman Arberry referred to E327 and asked why the new vehicle rental was funded by reserve. Mr. Miller explained that the vehicles were used by enforcement officers to conduct undercover investigations, serve search warrants, and arrest suspects. Chairman Arberry stated the specific question the Committee needed answered was whether new vehicles could be purchased with Securities Revolving Fund monies instead of vehicle depreciation funds from Motor Pool. Mr. Miller informed the Committee the entire account was funded through fines assessed by the Secretary of State's Office. The Securities Revolving Fund was an unreliable source of revenue because of the number of fines assessed in a given period of time could fluctuate greatly; therefore, a reserve had been created. If the Securities Revolving Fund became too depleted, the reserve could be used to fund some of the operations. Chairman Arberry said it appeared that the agency could save an additional vehicle purchase by Motor Pool by using Securities Revolving Fund monies instead of vehicle depreciation funds. Mr. Miller stated the agency would confer with LCB staff regarding that suggestion.

Mr. Denis referred to E710 which requested replacement of 24 laser printers and wondered whether that would be a replacement one for one, or an increase in the number of printers currently in service. Mr. Miller replied that the replacement was one for one.

Mr. Denis noted that the Secretary of State's Office used the standard DoIT replacement schedule, and Mr. Miller agreed that was so.

Assemblyman Hogan said he would appreciate some clarification regarding the duties of the Secretary of State's investigative unit, and the duties of other investigative units in other agencies, such as the Attorney General. Mr. Miller explained that generally the Secretary of State would have jurisdiction through the Securities Division on any investment contracts. After the investigation by the Secretary of State, it would be referred to the Attorney General, as required by statute, and that office would decide whether to prosecute. If the Attorney General declined to prosecute, the case could be shifted to the local district attorney.

Chairman Arberry closed the hearing on Budget Account 1053 and opened the hearing on Assembly Bill 153.

Assembly Bill 153: Authorizes the appointment of alternate members of the Committee on Industrial Programs. (BDR 16-793)

Assemblyman John W. Marvel, District 32, testified in support of A.B. 153. He stated the basis for the bill was that the Committee on Industrial Programs had no means of appointing alternate members. Because the committee met approximately once every three months, often there were not enough members for a quorum, which meant decisions could not be made in a timely manner. Mr. Marvel requested passage of A.B. 153 so that the Chairman of the Committee on Industrial Programs would have the authority to appoint alternates, ensuring there would be a quorum at the meetings.

Assemblywoman Leslie asked who would appoint the alternates, and Mr. Marvel replied the Chairman of the Committee on Industrial Relations would appoint alternates. Chairman Arberry stated he was supporting the bill because as Vice-Chair of the Committee on Industrial Relations it was sometimes difficult, as Assemblyman Marvel had stated, to convene a quorum. Mr. Marvel added that occasionally minutes had to be carried over to the next meeting because there were not enough members to approve them.

Assemblywoman McClain asked whether the members of the committee were appointed by the Interim Finance Committee (IFC), and Mr. Marvel acknowledged that was correct.

Assemblyman Denis asked why the IFC did not appoint members and alternates at the same time. Mr. Marvel agreed that would be possible. However, he added that if alternates were appointed on a permanent basis they might not be available either; and there needed to be some flexibility in the procedure. Mr. Marvel pointed out that on the larger committees, such as IFC, there were provisions for members of the Legislature to substitute for permanent members who could not attend a meeting.

Assemblyman Hardy referred to page 2, line 33, of A.B. 153, which read: "Each alternate member appointed by the Chairman must be appointed to a term of 2 years and may be reappointed." Dr. Hardy asked whether the flexibility Mr. Marvel was requesting was for two years, not for each individual meeting. Mr. Marvel agreed that was correct and stated the main concern was having enough members to vote at any meeting.

Dr. Hardy informed the Committee that the Southern Nevada Health District had appointed permanent alternate members who received all of the materials that were distributed to the regular members, whether the alternates were able to attend a meeting or not.

Chairman Arberry declared the hearing on A.B. 153 closed and opened the meeting on A.B. 165.

Assembly Bill 165: Creates the Justice Assistance Grant Trust Fund in the State Treasury. (BDR 43-1083)

Sandra Mazy, Administrator, Office of Criminal Justice Assistance, Department of Public Safety, testified in support of A.B. 165. Ms. Mazy stated the Office of Criminal Justice Assistance was the state administrative agency for the Edward Byrne Memorial Justice Assistance Grant program. Exhibit D, a packet entitled Request to Establish an Interest Bearing Trust Fund Account, was submitted to the Committee.

Ms. Mazy explained that in the 2005 Congressional budget, Congress took the Edward Byrne Memorial Grant and the Local Law Enforcement Block Grant and combined them into the Justice Assistance Grant. Some of the rules from the Byrne Grant and some of the rules from the Local Law Enforcement Grant were combined to be used for the Justice Assistance Grant.

Ms. Mazy stated the main rule that affected the agency was Special Condition 12, which required the agency to draw the total amount of the grant, place it into a trust fund, which may or may not be interest-bearing. However, if the grant was deposited in an interest-bearing fund, the interest must be returned to the program to be used for the purposes of the grant, or if not, the interest must be returned to the Bureau of Justice Assistance at the end of the grant period.

Assemblywoman McClain asked about the amount of funding received for the grant, and Ms. Mazy replied that in 2005, the agency had received $2.5 million and in 2006, $1.8 million. In 2007, the agency anticipated receiving approximately $2.3 million. Ms. McClain asked how much grant money was anticipated for 2008 and 2009, and Ms. Mazy said she did not know. Ms. McClain wondered whether there would be cutbacks, and Ms. Mazy said she doubted that the grant would ever be eliminated because there was a great deal of lobbying for it in Washington, D.C.

Assemblywoman Leslie asked whether she had understood correctly that the interest had to be used for programs, or it had to be returned, and the Nevada State Treasurer maintained that, under the current law, the General Fund received the interest. Ms. Mazy replied that Ms. Leslie was correct, and further stated she had provided the State Treasurer with all the documents in Exhibit D, and did not understand their interpretation. Ms. Mazy stated a letter from the U. S. Department of Justice, Office of the Comptroller, contained in Exhibit D, could not be any clearer as to the rules regarding the Byrne grant funds.

Ms. Leslie recommended that the LCB staff peruse A.B. 165 to determine whether it resolved the conflict correctly.

Chairman Arberry closed the hearing on A.B. 165 and opened the hearing on A.B. 199.

Assembly Bill 199: Makes a supplemental appropriation to the Office of Health Administration of the Department of Health and Human Services to fund Poison Control Call Centers. (BDR S-1253)

Alex Haartz, Administrator, Health Division, Department of Health and Human Resources, introduced himself and testified in support of A.B. 199. Mr. Haartz stated the purpose of the bill was to provide a supplemental appropriation to the Health Division to continue the current system of poison control funding for the state of Nevada between the period of March 1 through June 30, 2007. The amount being requested was $151,668, which would be divided between the Southern Nevada Health District (SNHD) to continue its contract with Rocky Mountain Poison Control Center, and the Renown Medical Center to continue its contract on the state's behalf with Oregon Health Sciences Center.

Assemblyman Marvel asked how long it normally took to receive results from the laboratory to discover what poison was involved. Mr. Haartz explained when an individual or medical provider called a poison control line the results were nearly instantaneous.

Assemblyman Hardy commented about the interaction between the Southern Nevada Health District, the Rocky Mountain Poison Control Center, and the Community College of Southern Nevada. He noted the Community College was considering the establishment of their own poison control center and wondered how that process was working. Mr. Haartz replied that his knowledge of the matter was limited to newspaper articles. He believed the Community College of Southern Nevada had expressed an interest in providing poison control services. Mr. Haartz said it was his understanding that those types of services took between three and four years to be accredited, so at this point, any Community College decision would have no impact.

Assemblywoman McClain asked whether A.B. 199 was meant to fund the remainder of FY 2007, and Mr. Haartz replied that was correct. Mr. Haartz further commented that when the Division went before the Interim Finance Committee (IFC) in September 2006, as a result of the federal funding having been disallowed for FY 2007, the Division had received a Contingency Fund allocation that provided funding for September 1, 2006 through February 28, 2007. At that time, the IFC said the Division should approach the 2007 Legislature for a supplemental appropriation to fund poison control for the balance of the fiscal year.

Ms. McClain asked whether the Division had reversion funds to complete the fiscal year. Mr. Haartz stated that at the present time he did not know whether reversion money was available.

Dr. Hardy inquired about the Southern Nevada Health District and its funding source for poison control, as well as what the Health Division's interaction was as far as sharing responsibility with SNHD. Mr. Haartz stated that Southern Nevada Health District managed the contract with Rocky Mountain Poison Control, and the Health Division passed through funding to the Health District. Mr. Haartz assumed that interaction between the agencies would continue in the future. Dr. Hardy asked when Mr. Haartz used the word "interaction" whether Mr. Haartz was referring to finances or assistance, and Mr. Haartz explained he was referring to both. Mr. Haartz further explained that assistance meant talking to Rocky Mountain Poison Control about issues such as exposure calls and drug information calls, as well as financial issues.

Dr. Hardy asked whether the State was providing financial assistance to the Rocky Mountain Poison Control, or if it was only the Southern Nevada Health District. Mr. Haartz replied that in FY 2003, the State Health Division had begun using available federal funds to fund Southern Nevada Health District's contract with Rocky Mountain Poison Control Center. That continued to the present, but the difference was that effective September 1, 2006, state general fund monies through a Contingency Fund allocation, were being used to reimburse Southern Nevada Health District.

Mark Stevens, Assembly Fiscal Analyst, commented that A.B. 199 should probably be moved through Committee as soon as possible because it was supplemental appropriation and funding was provided. Mr. Stevens further explained that the bill would not be impacted by the Education First initiative.

Dr. Hardy disclosed that he was a board member of the Southern Nevada Health District, and he said he believed strongly that funding should be in place without a gap in coverage. He stated he was in support of A.B. 199 and recommended that it be handled expeditiously.

Vice Chairwoman Leslie said she would prefer to wait to vote on A.B. 199 until Chairman Arberry returned.

Vice Chairwoman Leslie closed the Hearing on A.B. 199 and asked the Committee to consider introduction of the following bill draft requests (BDR):

- BDR S-1120—Makes an appropriation to the Las Vegas-Clark County Urban League for computer software and hardware.

  ASSEMBLYMAN DENIS MOVED FOR THE COMMITTEE INTRODUCTION OF BDR S-1120.

  ASSEMBLYMAN PARKS SECONDED THE MOTION.

  THE MOTION CARRIED.

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- BDR 1-654—Increases the number of district judges in the Second and Eighth Judicial Districts.

ASSEMBLYMAN MARVEL MOVED FOR THE COMMITTEE INTRODUCTION OF BDR 1-654.

ASSEMBLYWOMAN WEBER SECONDED THE MOTION.

THE MOTION CARRIED.

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Vice Chairwoman Leslie recessed the meeting at 9:04 a.m. and reconvened at 9:21 a.m.

Vice Chairwoman Leslie indicated that no bills would be passed out of Committee at today's meeting.

ELECTED OFFICIALS
CONTROLLER'S OFFICE (101-1130)
BUDGET PAGE ELECTED-102

Kim R. Wallin, Nevada State Controller, presented an overview of Budget Account 1130. Ms. Wallin referred to page 5 of Exhibit E, FY 2008-09 Budget Presentation to the Assembly Committee on Ways and Means, and stated the Controller's Office was the financial hub of the State. More than $1 billion per day in transactions were processed through the statewide accounting system. Those transactions consisted of paying vendors, payroll, deposits, and money transfers. Ms. Wallin said it was important that the integrity and safety of the Integrated Financial System (IFS) was maintained.

Page 6 of Exhibit E depicted the Governor recommended budget request summary. Ms. Wallin stated she had no problem with the recommended budget with the exception of Enhancement Unit 225 (E225), which was added to Budget Account 1130 by the Budget Division. She stated she did not support the Technology Investment Request (TIR) included in the budget and would propose an alternative use for the funds, as well as an alternative solution for the disaster-recovery system. Ms. Wallin said, as a result of not supporting the TIR, substantially all enhancement units had been removed from the budget. Later in the presentation, Ms. Wallin said she would demonstrate the enhancements the Controller's Office needed to operate efficiently as the chief financial officer of the State.

Vice Chairwoman Leslie interjected that while the Committee wanted to hear about the Controller's alternative budget plan, she warned that just because money was saved in the budget, did not mean the Controller automatically received the funds to spend. Ms. Wallin replied that she understood, but she not only wanted to do the Controller's job better but save money for the State in the long term.

Ms. Wallin continued, and referred to page 7 of Exhibit E, which demonstrated how the Controller's budget was distributed per The Executive Budget. Personnel costs encompassed 76 percent of the budget, with only 9 percent for administration, and 15 percent for information services.

Ms. Wallin stated that, conservatively, E225 would cost $2.6 million for the biennium. The Executive Budget recommended upgrading the entire computer system, although, according to Ms. Wallin, all that was needed was "a robust, geographically dispersed, disaster-recovery system located in southern Nevada." The Advantage software system was approximately 10 years old and was old technology when the State installed the system; therefore, in 6 to 8 years, the State would probably have to replace the system. Ms. Wallin said she did not believe it was wise to spend money to upgrade the Advantage system over to the new platform, because the new platform would not support the Advantage system.

The proposed plan for the Controller's disaster-recovery system and upgrades needed for personnel would result in savings in the amount of $3.7 million over a six-year period, according to Ms. Wallin. The Controller's office personnel had spoken to the software provider for the platform recommended in The Executive Budget, and the company had stated that the Advantage System would not be supported, and there was no guarantee that the system would "port" to the new platform. Ms. Wallin said that if the system would not port over, money would have been spent on an unusable system.

Ms. Wallin noted that the Department of Administration was not part of the IFS user group and had not been included in the proposal. The Department of Transportation did not require any upgrades at the present time.

Assemblyman Denis asked whether there were any savings from only the disaster-recovery part of the system. Ms. Wallin replied that the proposed budget included funding for a disaster-recovery system. A separate disaster-recovery system had to be purchased to place in southern Nevada until the Controller's office could port to the new system, resulting in a possible $2.5 million expense. Mr. Denis asked whether there would be a difference in cost depending upon whether the Controller's budget or the proposed Governor's budget was accepted. Ms. Wallin said there was no difference.

Ms. Wallin referred to page 10 of Exhibit E which represented how much the disaster-recovery system would cost as well as the enhancements being requested. On page 11 of Exhibit E, the Controller's Office was requesting $492,498 in FY 2008, and $100,868 in FY 2009 for the disaster-recovery system in Las Vegas.

Vice Chairwoman Leslie asked whether the enhancements listed on page 11 of Exhibit E were additional to the alternate plan proposed by the Controller's Office. Ms. Wallin explained that in E225, category 26, $976,649 had been recommended in the budget. Page 10, Exhibit E, demonstrated how the Controller's office wanted to utilize those funds.

Vice Chairwoman Leslie informed the Committee, as well as the Controller's Office, that the disaster recovery issue would be heard in much more detail, before the General Government Subcommittee.

Ms. Wallin continued with her presentation and said E807 requested in FY 2008 the amount of $92,055 and in FY 2009 the amount of $97,072 for the upgrade of seven accountants who worked on the Comprehensive Annual Financial Report (CAFR) from grade 38 to grade 41 and one CAFR manager from grade 41 to grade 43. The upgrades had been approved in the last biennium, but because of circumstances within the Controller's Office the past two years, had not been implemented. Ms. Wallin emphasized that the upgrade would apply only to the CAFR accountants in the Controller's Office.

Vice Chairwoman Leslie asked Ms. Wallin if money could be saved, would the salary upgrades be an item that the savings would be used for, and Ms. Wallin replied that was correct. Vice Chairwoman Leslie commented that the

Committee viewed it a little differently and reiterated that the Controller's Office would have to justify all requests through the normal budget process.

Ms. Wallin stated the CAFR accountants helped agencies with performance measures and performance management, as well as helped agencies to find ways to save money and operate more efficiently. In many cases the CAFR accountants were making less money than accountants in other agencies, while the Controller's CAFR accountants were consulted when those other accountants had questions.

Ms. Wallin stated the CAFR upgrades had been approved in the 2005 Legislative Session, and Vice Chairwoman Leslie questioned whether the upgrades had been implemented. Ms. Wallin stated they had not because the previous administration had difficulties with the Department of Personnel which had disallowed the upgrades. Vice Chairwoman Leslie asked what the Department of Personnel's current position was. Ms. Wallin responded that she believed Personnel would approve the upgrades because the CAFR accountants were going to be adding more duties to their job descriptions. Vice Chairwoman Leslie requested the Controller's Office ascertain the Department of Personnel's position before appearing before the General Government Subcommittee. Ms. Wallin added that CAFR accountant position upgrades had to meet certain specific requirements, were required to have an accounting degree, were required to have four years of experience in accounting, and were required to have performed CAFR financial statements for two years.

Vice Chairman Leslie stated for clarification that the information technology matters would be heard by the General Government Subcommittee, but personnel matters would be heard by the Committee on Ways and Means.

Assemblyman Hardy asked whether the competition for retaining qualified CAFR accountants came from the private sector or other public agencies. Ms. Wallin replied that other state agencies, as well as cities and counties, recruited accountants away from the Controller's Office.

Ms. Wallin stated page 13 of Exhibit E contained another wish list for the Controller's Office. In FY 2008, the request was for $39,999 and in FY 2009, $42,469 for IT staff upgrades. Four IT positions would be upgraded: one position would be upgraded to a grade 41. Ms. Wallin stated the reason for the upgrade was that the individual in that position possessed superior knowledge of the Advantage Financial System. That had allowed the Controller's Office to discontinue vendor support and save the State over $80,000 per year.

Dr. Hardy asked whether the individual or the position would receive the upgrade to a grade 41. Ms. Wallin explained that if the individual left the position, the position would revert to the lower grade because only the incumbent had specific skills that qualified for that pay level.

Mr. Denis noted that the Controller's Office was requesting a computer network technician 1 be upgraded to an IT technician 4, and wondered why the upgrade to a 4 and not a 3.

Alex Echo, Data Processing Manager, Controller's Office, explained that the IT technician 4 position sounded like more of an increase than it was, because the upgrade was only from a pay grade 33 to a pay grade 35. The Department of Personnel had reclassified the names of many positions, according to Mr. Echo.

Assemblywoman McClain asked whether the requested upgrades were contingent upon the Controller's Office being able to perform their own IT services. Ms. Wallin replied that even if the Office was required to accept the DoIT plan, those upgrades would still be needed.

Ms. Wallin continued her presentation and referred to page 14 of Exhibit E, which addressed E250 and E251. The Office requested $90,897 in FY 2008 and $71,616 in FY 2009 to be used for training for accountants and IT staff. The request was being made, because for the past six years, Ms. Wallin said the Controller's Office had been neglected. The previous administration's goal had been to return as much money as possible to the State, and over the previous six years the training budget had steadily declined, according to Ms. Wallin. Currently, the Controller's Office was spending approximately $550 per year, per person for training. Ms. Wallin stated without a well-trained staff, the Office could not operate as efficiently as it should.

Vice Chair Leslie commented that it appeared that the Controller's Office had requested approximately $2,600 per employee for training. Ms. Wallin agreed that was correct.

C. William Reinhard, Jr., Chief Deputy Controller, explained that the Office would be spending approximately $2,000 per FTE in FY 2008, and approximately $1,591 in FY 2009 for training. Ms. Wallin noted those figures would be the total request for training.

Vice Chair Leslie requested a breakdown of training for different positions, and Ms. Wallin directed her to the Appendix, pages 12 through 15, of Exhibit E.

Vice Chair Leslie asked why the Office was requesting four accountants to be sent to a Women's Conference.

Brenda Laird, Chief Accountant, State Controller's Office, replied that the Women's Conference was for business professional women. Members of the Controller's Office staff had attended in the past and found it very helpful and informative. The conference was local, fairly low-cost, and provided valuable information, according to Ms. Laird.

Dr. Hardy asked whether men could attend the Women's Conference and Ms. Laird replied that men could attend.

Vice Chair Leslie wondered whether a women's conference was appropriate use of state dollars, and commented that many people went to personal development events on their own time and at their own expense.

Ms. Wallin continued with her presentation. She stated the Office was requesting $85,163 in FY 2008 and $44,003 in FY 2009 for various IT equipment that needed replacement or enhancement. The Office was adhering to the four-year replacement schedule suggested by DoIT. Vice Chair Leslie asked whether the request was still a "wish list," and Ms. Wallin said that it was.

Ms. McClain asked whether the four-year replacement schedule for IT equipment could be considered a wish list, and Ms. Wallin responded that because the Budget Division had not included it in the budget, it was a wish list.

Vice Chair Leslie asked whether it was an "either/or" situation, and Ms. Wallin replied that even if the Controller's Office received the Budget Division's TIR, the requested equipment would still be needed as it was part of the replacement cycle.

Assemblywoman Gansert asked for clarification regarding how the current Controller's Office administration had received the budget now before the Committee. Ms. Wallin stated she had inherited the budget from the previous administration and had no input into the budget requests. Further, the Budget Division had placed the TIR into the budget in place of certain enhancement units.

Mrs. Gansert referred to page 10 of Exhibit E, and asked whether the personnel upgrades were completely new requests or had been approved previously but never implemented. Ms. Wallin explained that the personnel upgrades for the CAFR accountants had been approved by the Legislature and had never been implemented. Mrs. Gansert asked whether the costs for the disaster-recovery system in Las Vegas were Controller's Office figures or DoIT figures. Ms. Wallin replied those figures were costs that the Controller's Office had submitted.

Mrs. Gansert asked about the figures shown on page 9 of Exhibit E that were calculated to be savings realized over the TIR. She noted the Controller's Office had gone outside of its budget to arrive at the $3.7 million savings and had changed the requested system. Ms. Wallin agreed and said the big change was that the Controller's Office would be spending $3.7 million, and the TIR would cost $7.4 million.

Ms. Wallin continued with her presentation and referred to page 16 of Exhibit E. Based on the requests by the Controller's Office, personnel would total 77 percent of the budget compared to 76 percent, and administration costs would total 11 percent compared to 9 percent under The Executive Budget. Information technology costs would decrease by 3 percent.

Page 17 of Exhibit E demonstrated that the Controller's Office budget had increased only 1.7 percent since 2004. Ms. Wallin said that roughly 75 percent of the Controller's budget was personnel which had grown steadily due to Cost of Living Adjustments (COLA) and merit salary increases. The decreases in training and administration had kept the Controller's budget from increasing over the years as fast as the budgets for other constitutional offices.

Ms. Wallin stated that as a professional accountant she had some great plans for the Controller's Office. The staff would become management consultants to agencies, aiding in performance management, as well as identifying waste and inefficiency. Ms. Wallin stated the Controller's Office would continue to provide world-class customer service. The Controller's Office had performed a survey of users and scored in the upper 90 percentile in all categories of customer support, satisfaction, and service.

Assemblywoman Weber asked for comment regarding collections and write-offs. Ms. Wallin informed the Committee that currently the Controller's Office was collecting approximately $100,000 of old debt per month. Since the program began at the end of 2001, the Controller's Office had collected over $6 million in outstanding debt. The debt was turned over to the Controller when agencies decided they could not collect. Ms. Wallin said if collection was not begun within 60 to 90 days of when the debt was incurred, it became unlikely that the debt would be collected. As of the end of September 2006, accounts receivable contained $293 million, with $156 million of that debt being over 60 days old. The Department of Taxation was responsible for

$107 million of the debt over 60 days old. Currently, the Controller's Office was attempting to collect $25 million of the total accounts receivable. Ms. Wallin said because it was not a requirement that agencies submit debt to the Controller's Office for collection, some did not do so. She said the State needed to investigate implementing some type of procedure whereby agencies were mandated to turn debt over to the Controller's Office after 60 to 90 days, if there was going to be true, centralized debt-collection process.

Dr. Hardy asked whether accountants specialized regarding other state agencies, or were all accountants versed in the finances of all agencies. Ms. Wallin replied that accountants specialized in certain agencies, but some accountants were assigned more than one agency.

Mrs. Gansert asked whether the Controller's Office had attempted to work with the Department of Taxation regarding debt collection. Ms. Wallin replied that the Department of Taxation had contracted with an outside debt-collection agency to handle its outstanding debt. Mrs. Gansert wondered whether the Department of Taxation turned over the debt collection at 60 or 90 days, and Ms. Wallin said she did not know.

Vice Chairwoman Leslie commented that there was statutory authority that supported the Controller's Office's right to opt out of the proposed data processing project and the Committee would be investigating that statutory language.

Vice Chairwoman Leslie stated that the other issues were more properly addressed by the Department of Administration and requested that a representative address the Committee.

Vice Chairwoman Leslie asked whether the Department of Administration would agree that the Controller's Office had the legal option to opt out of the proposed consolidation.

Grant Reynolds, Department of Administration, IT Division, responded that he was not sure he could answer that question. He said he was under the impression that the Attorney General was investigating that question.

Vice Chairwoman Leslie said, assuming the Controller's Office could opt out of the proposed consolidation, had the Department of Administration looked at the feasibility of continuing the project with the other involved agencies, such as the Budget Division, Planning Division, Department of Transportation, and the Department of Personnel. Mr. Reynolds replied that the Department had examined the costs of continuing the project without the Controller's Office and while he did not have those figures with him, he would provide them to LCB staff. Vice Chairwoman Leslie asked whether Mr. Reynolds could state a "ballpark" figure, and Mr. Reynolds said he would prefer to provide exact numbers.

Ms. McClain noted that the Legislature was under time constraints, and time was running out. She said she wanted agency representatives to attend Committee meetings prepared, with concrete figures to provide and the ability to answer questions.

Vice Chairwoman Leslie agreed that time was of the essence and asked Mr. Reynolds to provide the requested figures as soon as possible.

Vice Chairwoman Leslie asked whether any of the agencies involved were concerned about the Controller's Office opting out and what that might do to the system. Mr. Reynolds replied there had been some concern about migrating the applications.

Mr. Denis asked whether other agencies had been involved in the process to implement the project, or had the DOA and DoIT presented the completed proposal. Mr. Reynolds said the other agencies were involved, but there seemed to be a difference of opinion as to the final solution.

Vice Chairwoman Leslie stated that staff had researched the statutes and it was clear that the Controller's Office had the right to opt out. She asked whether the Department of Administration was contemplating legislation to force the Controller's Office to stay in the project, and Mr. Reynolds replied that they were not. Vice Chairwoman Leslie requested that the Department of Administration provide the figures regarding what the system, without the Controller's Office, would cost the other agencies. She said she did not see the Committee submitting legislation to override a proposal the Controller's Office claimed would save a lot of money.

Assemblyman Hogan stated that, as he understood the situation, as soon as a substantive difference between the Controller's Office and the Department of Administration became clear in regard to the TIR, the enhancements that were requested by the Controller's Office had been denied and excluded from The Executive Budget. He said he was curious as to whether that was an appropriate and regularly used bargaining tactic on the part of the Department of Administration, and whether that tactic was in the best interests of the state budget.

Elizabeth L. Barber, Deputy Director, Department of Administration, commented that the Department of Administration did not do business in that manner. She recognized that the Controller's Office budget had been submitted to the DOA in September 2006 and was worked on until it went to print on January 7, 2007. The new Controller had taken office on January 1, 2007, and had inherited the budget. Ms. Barber said there were other constraints taken into consideration such as the two-times rule that former Governor Guinn had established, as well as working within the expenditure cap. Any agencies that used General Funds were examined. The proposal was for a consolidated project throughout the State and was included in The Executive Budget. Ms. Barber assured the Committee that the Department of Administration would not retaliate against an agency because of a budgetary disagreement, and such action would be unprofessional.

Assemblywoman Koivisto said when the General Government Subcommittee met she wanted to hear from the Department of Personnel and the Department of Transportation regarding their participation in the project.

Vice Chairwoman Leslie closed the hearing on Budget Account 1130.

Vice Chairwoman Leslie adjourned the meeting at 10:06 a.m.

RESPECTFULLY SUBMITTED:

Anne Bowen
Committee Secretary

APPROVED BY:

Assemblyman Morse Arberry Jr., Chair

DATE:

EXHIBITS

Committee Name: Committee on Ways and Means

Date: March 5, 2007 **Time of Meeting: 8:00 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Guest sign-in sheet
	C	Ross Miller, Secretary of State	Biennial Budget Request FY 2008/09
A.B. 165	D	Sandy Mazy, Administrator, Office of Criminal Justice Assistance	Request to Establish an Interest Bearing Trust Fund Account
	E	Kim R. Wallin, Nevada State Controller	FY 2008/09 Budget Presentation