

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

**Seventy-Fourth Session
April 10, 2007**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government was called to order by Chair Kathy McClain at 8:09 a.m., on Tuesday, April 10, 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 might be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

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

SENATE COMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Larry Peri, Principal Deputy Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Sarah Coffman, Program Analyst
Julie Diggins, Program Analyst
Linda Blevins, Committee Secretary
Patti Adams, Committee Assistant

Chairwoman McClain called the meeting to order and announced that the Subcommittee would consider budget closings for the Department of Business and Industry (B&I).



DEPARTMENT OF BUSINESS AND INDUSTRY

BUDGET CLOSINGS

ADMINISTRATION, BA 4681

Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), provided an overview of Budget Account (BA) 4681. There were four major closing issues within this budget account. The first major issue was changes to the Department's internal cost allocation methodology. The Fiscal Division and the Budget Division determined that historically the Department received a disproportionate amount of General Funds. Therefore, a new cost allocation methodology was developed. The actual percentage of General Fund appropriations allocated to the Department was considered. This percentage was then applied to the Director's Office total expenditures to establish the recommended General Fund appropriation. The new methodology decreased General Fund appropriations from \$216,002 in Fiscal Year (FY) 2006-07 to \$82,455 in FY 2007-08 and \$90,171 in FY 2008-09. The Director's Office had informally indicated to staff that the new cost allocation methodology did not accurately assess supporting budget accounts based on the services provided by the Director's Office to each of the supporting accounts.

According to Ms. Coffman, the agency had indicated that a large portion of their time was spent working with its General Funded agencies while the majority of its cost allocation funding was provided from its fee-funded agencies with numerous full-time equivalent (FTE) positions. Staff believed the current cost allocation plan recommended by the Governor fairly assessed the Director's Office expenses between General Fund and non-state funding sources. If the cost allocation plan was approved, the Subcommittee might wish to recommend issuing a letter of intent directing staff from the Director's Office, the Budget Division, and Fiscal Analysis Division to review the plan and to develop any recommendations for revisions to the plan with the intent the revisions be included as part of the Department's budget-building process for the 2009-11 biennium.

Ms. Coffman continued the overview of the second major issue, the transfer of an accountant 2 position from the Housing Division. The position was vacant in the Housing Division account. The Director's Office had indicated that the accountant 2 position would not fit the needs of the agency and, therefore, indicated that a management analyst position would be more appropriate. Fiscal staff had requested the Director's Office provide workload statistics, identification of increased activities, and a list of duties for the position. The agency provided no workload statistics or information on increased activities to substantiate the request. The Budget Division did not submit a budget amendment to reclassify and upgrade the position. Based on the lack of a budget amendment and the lack of quantitative justification, fiscal staff recommended against approving the transfer of this position from the Housing Division to the Director's Office.

Ms. Coffman reported that the third major issue was the Department-wide Technology Investment Requests (TIR). This was being heard in the Director's Office budget, but the Director's Office was not directly affected by the decision. The agencies, including Financial Institutions, Mortgage Lending, and Industrial Relations, requested four database systems over the 2007-09 biennium. The Governor recommended \$1.69 million for the four systems.

During the Subcommittee hearing the Information Technology (IT) manager of the Department proposed to consolidate the Department's four database systems into one consolidated database system, creating what was described as an Enterprise Solution system. According to the IT manager, if four stand-alone database systems were purchased separately, the total estimated implementation cost would be \$1.52 million. If consolidated, there was a cost savings of \$521,307. In response to the Subcommittee's concerns as to how the combined system would be funded, the IT manager proposed to split the costs into thirds, between the Financial Institutions, Mortgage Lending, and Industrial Relations Division at a cost of \$333,289 per agency.

Ms. Coffman further noted that the Subcommittee had expressed concerns with the Department's proposed good-of-the-state contracting methodology. According to the Department's IT manager, the good-of-the-state contract would forego the request for proposal (RFP) process. Staff felt that the Department of Business and Industry had provided reasonable justification to support the need for the four database systems; however, staff was concerned with the uncertainty of the database structure, the soft cost estimates associated with the Enterprise Solution system, and the method used to allocate the cost of the system to the three divisions. If the Subcommittee approves funding for the TIR, staff recommended the Subcommittee allocate the funding as recommended by the Governor to a separate reserve category within each of the respective agency's budget accounts and to direct the agencies not to spend the TIR reserve funding until Interim Finance Committee (IFC) granted approval to proceed with the projects. The Subcommittee might consider requiring the agencies to:

- Identify the database structure.
- Identify the contracting methodology.
- Provide revised cost estimates based upon the selected database structure.
- Revise the methodology to properly allocate costs if the Enterprise Solution system was chosen.

Ms. Coffman advised that major issue number four was budget amendment number 86. The budget amendment requested additional funding for rent expenditures. In February 2007, the Department of Business and Industry relocated three of its Carson City agencies: the Director's Office, Manufactured Housing, and Financial Institutions. The relocations resulted in the following:

- The Director of the Department was relocated from the Sawyer building in Las Vegas to the non-state owned space at 788 Fairview Drive in Carson City, leaving 3.0 FTE in the 2,277 square foot office space in the Sawyer building.
- Because the 788 Fairview building did not have an additional office to house the director position, the Director's Office moved to the Bryan Building, where Financial Institutions, Manufactured Housing, and Mobile Home Parks were located.
- Manufactured Housing and Mobile Home Parks were relocated from the Bryan Building to the Director's previous office space at 788 Fairview Drive.
- Financial Institutions was relocated to vacant space currently leased by the Health Division at 1179 Fairview Drive in Carson City. The Health Division relocated to new office space in FY 2006 on Technology Parkway in Carson City, leaving leased space vacant at its prior location until September 2007, when the lease expired. The Director's Office

indicated Financial Institutions would not begin paying rent until July 1, 2007. However, staff had discussed the issue with the Health Division who indicated that rent payments would begin May 1, 2007. The budget amendment number 86 indicated Financial Institutions would not begin paying rent until after September 30, 2007. Because of the conflicting information, fiscal staff was unclear as to when Financial Institutions would begin making payments on the leased space the Health Division was obligated to pay until September 2007.

The net result of the relocation equaled approximately \$153,224 over the biennium, stated Ms. Coffman, with \$6,195 in General Fund. The Subcommittee should note that funding authority was not authorized prior to the agency's relocation. The Department indicated to staff that the authority was not requested prior to relocation because each agency would continue to pay the lease expenditures associated with its prior location through the end of FY 2007. However, a supplemental appropriation was requested in the amount of \$6,280 was recommended for the Director's Office to fund increased rent expenditures for the 788 Fairview Office in FY 2006-07. It was unclear to staff what the supplemental appropriation supported if each of the agencies involved was expected to continue paying for lease expenditures associated with the prior office space. In addition, authority had not been requested by Financial Institutions to pay for the two additional months of rent in FY 2007.

Ms. Coffman advised the Subcommittee might wish to open the rental relocation funding issue up for discussion because it had not been heard previously. Any closing decision on the issue, would affect the Financial Institutions, Financial Institutions Audit, Manufactured Housing, Mobile Home Parks, and Director's Office budget accounts.

Ms. Coffman requested authority to make technical changes to the Director's Office salary adjustments in decision units M304 and E813. In The Executive Budget the agency's cost allocation was not included to fund these decision units. Staff would, therefore, make technical revisions to implement the cost allocation funding in the decision units.

Under other closing items, Ms. Coffman reported the agency was requesting a transfer of a PC/LAN technician position. The position had been working with the agency since 1999. If the position was transferred, the agency would save \$112,698 over the biennium. The PC/LAN position transfer appeared to be reasonable to staff.

Chairwoman McClain advised the Subcommittee that because of the number of issues involved in closing BA 4681, each closing issue would be considered separately. The first issue was the change to the Department's internal cost allocation methodology.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE ACCEPT STAFF RECOMMENDATIONS FOR CHANGES TO INTERNAL COST METHODOLOGY AND RECOMMENDED A LETTER OF INTENT TO DEPARTMENT OF ADMINISTRATION TO REVIEW THE COST ALLOCATION.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

Senator Beers noted the recommendation would include the letter of intent to direct staff from the Director's Office, the Budget Division and Fiscal Analysis Division to review the plan and to develop any recommendations for revisions to the plan with the intent the revisions be included as part of the department's budget building process for the 2009-11 biennium.

Assemblyman Parks advised that cost allocations were a major issue in every budget, and he was uncertain of the state process regarding the allocations. Ms. Coffman explained cost allocations were different for each department and were based upon the respective roles of each director's office. Ms. Coffman noted that the cost allocation for the Director's Office now being considered was based on FTEs within each B&I agency. The Director's Office, however, claimed that the majority of its work was for General Funded agencies that had fewer FTEs.

Senator Coffin stated that the State could be less careful with cost allocations for fee-funded agencies than for agencies supported through federal funds because federal agencies kept a close watch on how federal funds were allocated. He pointed out, however, that the Subcommittee should consider that the industries regulated through B&I could become resentful and less inclined to support fee increases if the State placed too great a burden of the Department's administrative costs on those industries.

THE MOTION CONCERNING THE CHANGE TO INTERNAL COST
METHODOLOGY AND A LETTER OF INTENT PASSED
UNANIMOUSLY.

Chairwoman McClain next asked for comments on issue two, the transfer of an accountant 2 position from the Housing Division. The issue had been discussed by the Subcommittee in previous sessions, and it was her opinion the transfer had not been justified.

SENATOR BEERS MOVED THAT THE ACCOUNTANT 2 POSITION
NOT BE TRANSFERRED FROM THE HOUSING DIVISION TO THE
DIRECTOR'S OFFICE AND THE CORRESPONDING CHANGE TO
THE BUDGET BE MADE BY STAFF.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman McClain addressed issue number three, the department-wide Technology Investment Requests (TIR) and asked for comments. Senator Beers advised that the Subcommittee did not have a copy of an email between Purchasing Division and staff regarding the good-of-the-state contract. According to Senator Beers, the Purchasing representative felt uncomfortable with the process and withdrew from the evaluation committee. The representative was later informed the evaluation committee had disbanded. The Department of Information Technology (DoIT) was advised by the Attorney General to establish a new evaluation committee to address the responses received from the RFP. The vendor who offered the discount for multiple systems had never done a worker's compensation insurance system, the largest piece of this puzzle. Consequently, Senator Beers was uncomfortable with approving the request.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE RECOMMEND THAT THE FUNDS FOR THE DEPARTMENT-WIDE TECHNOLOGY INVESTMENT REQUESTS BE PLACED INTO A SPECIAL CONTINGENCY ACCOUNT THAT THE INTERIM FINANCE COMMITTEE (IFC) COULD RELEASE AS THE PROJECTS BECAME MORE DEFINED AND ISSUE A LETTER OF INTENT DIRECTING THE DEPARTMENT TO INCLUDE THE FOLLOWING INFORMATION BEFORE REQUESTING TIR FUNDS FROM THE IFC:

1. IDENTIFICATION OF THE DATABASE STRUCTURE (STAND-ALONE VERSUS ENTERPRISE SOLUTION SYSTEM).
2. IDENTIFICATION OF THE CONTRACTING METHODOLOGY (TRADITIONAL RFP VERSUS GOOD-OF-THE STATE CONTRACT).
3. REVISED COST ESTIMATES BASED UPON THE SELECTED DATABASE STRUCTURE.
4. A REVISED METHODOLOGY TO PROPERLY ALLOCATE COSTS IF THE ENTERPRISE SOLUTION SYSTEM WAS CHOSEN.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman McClain commented that issue four, budget amendment number 86, should be held until the following questions had been answered:

- What would the supplemental appropriation for lease expenditures support?
- Did the Financial Institutions Division agree to pay two months worth of rent to the Health Division in FY 2006-07?
- What consequences would result if the budget amendment was not approved?
- Why was funding authority not requested prior to relocating the affected agencies?
- What was the total fiscal impact in FY 2006-07 to all of the agencies as a result of the relocations?
- Would work program revisions be required to provide the required expenditure authority?

Chairwoman McClain noted that the Subcommittee was waiting for an opinion from the LCB Legal Division on what to do since authority was not given to make the move.

ASSEMBLYWOMAN KOIVISTO MOVED TO HOLD BUDGET AMENDMENT NUMBER 86.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman McClain stated the Subcommittee should give authority to Fiscal staff to make technical adjustments to the agency's cost of living allowance (COLA) and unclassified salary adjustments. The Subcommittee must also decide whether to authorize the transfer of a PC/LAN technician position from DoIT. The transfer appeared reasonable to staff. Staff needed the authority to

make technical adjustments for final cost allocations and assessments for the DoIT, Purchasing, Attorney General (AG) cost allocation, Statewide Cost Allocation Plan (SWCAP), and other internal cost allocations.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS TO THE AGENCY'S COLA AND UNCLASSIFIED SALARY ADJUSTMENTS.
2. AUTHORIZE TRANSFER OF A PC/LAN TECHNICIAN POSITION FROM DoIT TO THE DIRECTOR'S OFFICE.
3. GIVE STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL COST ALLOCATIONS AND ASSESSMENTS FOR THE DoIT, PURCHASING, ATTORNEY GENERAL (AG) COST ALLOCATION, STATEWIDE COST ALLOCATION PLAN (SWCAP), AND OTHER INTERNAL COST ALLOCATIONS.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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REAL ESTATE EDUCATION AND RESEARCH, BA 3826

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, presented an overview to the Subcommittee. The Real Estate Education and Research Division account was not previously heard by the Subcommittee. Staff recommended this account be closed as recommended by the Governor with technical adjustments as follows:

1. As previously indicated, decision units M304 and E813 in the Director's Office were not cost allocated. Staff recommended technical adjustments to reflect the increase in cost allocation funding.
2. The AG and SWCAP assessments were revised with budget amendment numbers 68 and 69. Staff recommended the budget amendments be approved so the AG and SWCAP cost allocations can be reduced.

SENATOR BEERS MOVED TO CLOSE BA 3826 AS RECOMMENDED BY THE GOVERNOR WITH AUTHORITY FOR STAFF TO MAKE TECHNICAL ADJUSTMENTS TO ASSESSMENTS AND COST ALLOCATIONS.

SENATOR RHOADS SECONDED THE MOTION.

Assemblyman Parks disclosed to the Subcommittee that he was a real estate licensee and believed the funds he paid for license renewal went into this fund.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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REAL ESTATE RECOVERY ACCOUNT, BA 3827

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, presented an overview to the Subcommittee. There were no major closing issues with the account and staff recommended the account be closed as recommended by the Governor.

SENATOR COFFIN MOVED TO CLOSE BA 3827 AS
RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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Assemblyman Parks disclosed to the Subcommittee that he was a real estate licensee and believed the funds he paid for license renewal went into this fund.

COMMON INTEREST COMMUNITIES, BA 3820

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, presented an overview of Budget Account (BA) 3820 to the Subcommittee explaining there were three major closing issues in the budget account. The first major issue was budget amendments to reduce statewide cost allocation plan (SWCAP) and Attorney General (AG) assessments and increase reserve levels as a result of those budget amendments. The Governor's recommended budget indicated that the reserve balance would be \$740,808 as of FY 2009 which was a 68.7 percent decline in the agency's overall balance of \$2.4 million in FY 2005-06. If the shrinking of the reserve balance continued to follow the trend displayed in the Governor's recommended budget, it appeared the agency would have an insufficient level by FY 2009-10. In response to the Subcommittee's concerns, the Budget Division submitted budget amendment numbers 67 and 68 which reduced the AG and SWCAP assessments in FY 2009. As a result it increased the reserve level to \$970,582. This increase, while an improvement, reduced the reserve account by 59.5 percent. Fiscal staff requested authority to make the adjustments to the final AG and SWCAP assessments as needed.

Ms. Coffman continued with major issue number two. The agency was requesting two new compliance investigator 2 positions. Currently, the agency had three compliance investigators, two located in Las Vegas and one in Carson City. According to the agency, because of the insufficient number of compliance investigators, it could take up to eight months to resolve each dispute from the time an Affidavit for Intervention was filed. As previously indicated, the Carson City office has only one compliance investigator with a caseload of approximately 30 cases. When the investigator was out of the office there was no one to answer the telephone calls or assist walk-in constituents. In addition, the compliance investigators in the Las Vegas office carry a caseload of approximately 50 cases per investigator. The agency had provided adequate justification to substantiate its request for the two new compliance investigators. However, in consideration of the declining reserve,

the Subcommittee might wish to consider either approving one investigator or denying both compliance investigators.

Ms. Coffman stated that major issue number three was a contract to resolve disputes. Decision unit E325 recommended reserve funding of \$150,000 each year of the 2007-09 biennium to continue the Administrative Law Judge (ALJ) program. The program was approved in FY 2006-07 by the Interim Finance Committee (IFC) and provided for ALJs to conduct hearings, determine violations, and impose fines and penalties. The ALJ program was intended to move cases forward in a timely manner. Staff had verified the contractual agreements established by the ALJs and the funding level recommended for decision unit E325 appeared to be reasonable. The Subcommittee might consider approving the Governor's recommendation for continued funding for the ALJ program.

Continuing with other items, Ms. Coffman noted that during the March 21, 2007, IFC meeting, a work program was deferred to the General Government Subcommittee for consideration. The work program requested reserve funding of \$60,000 to develop three web-based interactive multi-media training compact discs (CDs), and \$8,500 to support additional printing expenditures for the agency's quarterly newsletter. As previously indicated, the Budget Division submitted two of the budget amendments which adjusted the agency's reserve level to \$970,582 at the end of FY 2008-09. The budget amendments improved the agency's reserve balance; however, current expenditure patterns continued to erode the reserve balance in future bienniums. If approved, the Subcommittee might wish to determine whether the funding should be approved in the current FY 2006-07 or whether it should be included in the budget over the 2007-09 biennium.

Chairwoman McClain asked for Subcommittee discussion or motions regarding issue number one.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE ACCEPT BUDGET AMENDMENTS 67 AND 68 AND GRANT APPROVAL FOR STAFF TO MAKE TECHNICAL ADJUSTMENTS TO FINAL ASSESSMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

Senator Coffin stated the motion could affect major issue number two. If the declining reserve was approved, it could be more difficult to add new positions. Chairwoman McClain suggested the Subcommittee combine major issues one and two for purposes of the motion. It was Chairwoman McClain's opinion that one position in Las Vegas would be sufficient. Senator Coffin believed both positions were necessary to provide full coverage in Carson City when the current investigator was out of the office. Chairwoman McClain noted the ALJ was available to resolve issues not handled by the investigators.

Ms. Coffman pointed out that approval of major issue number one increased the reserve level from \$740,808 to \$970,582.

Senator Coffin advised his vote was to approve both of the requested positions, one in Las Vegas and one in Carson City. Chairwoman McClain stated that in light of the reserves, only one position should be approved and requested Senator Beers revisit the motion.

SENATOR BEERS MOVED TO APPROVE ONE COMPLIANCE INVESTIGATOR POSITION FOR LAS VEGAS AND THAT THE SUBCOMMITTEE ACCEPT BUDGET AMENDMENTS 67 AND 68 AND GRANT APPROVAL FOR STAFF TO MAKE TECHNICAL ADJUSTMENTS TO FINAL ASSESSMENTS.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED.

SENATOR COFFIN OPPOSED.

Chairwoman McClain opened discussion on the funding for the ALJ program.

SENATOR BEERS MOVED TO APPROVE THE GOVERNOR RECOMMENDATION FOR CONTINUED FUNDING OF THE ADMINISTRATIVE LAW JUDGE PROGRAM.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Continuing with consideration of other items, Chairwoman McClain stated that Senator Beers had assured the Subcommittee the cost of \$60,000 for three web-based, interactive, multi-media training CDs was reasonable.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. APPROVE USING RESERVE FUNDING IN THE AMOUNT OF \$60,000 FOR PURCHASE OF THREE WEB-BASED INTERACTIVE, MULTI-MEDIA TRAINING CDS.
2. APPROVE \$8,500 FOR ADDITIONAL PRINTING EXPENDITURES.
3. ALLOW EXPENDITURES TO BE MADE IN THE CURRENT WORK PROGRAM YEAR.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman McClain asked for comments or discussion on the request for replacement equipment.

ASSEMBLYMAN HOGAN MOVED TO APPROVE THE REQUESTED REPLACEMENT EQUIPMENT AND ALLOW STAFF THE AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS ON FINAL COST ALLOCATIONS.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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Senator Coffin asked whether information was available regarding the number of hours worked by the ALJ. Ms. Coffman responded that the program was new but the contract stated that \$150,000 was for the full ALJ panel. The hourly rate was not stated in the contract.

Ms. Gail Anderson, Administrator, Department of Business and Industry, Real Estate Division, was recognized by Chairwoman McClain. Ms. Anderson explained that there were five cases currently assigned to the ALJ. Ms. Anderson stated she would provide the Subcommittee with the hourly rate in the contract. The law judges were hearing officers for the Real Estate Commission and had a different role than the investigators.

Chairwoman McClain requested clarification regarding the types of cases heard by the ALJ. Ms. Anderson stated the intent of the Commission was to send governing document disputes often having to do with issues of landscaping, remodeling, fines, and other items not falling under Chapter 116 of *Nevada Revised Statutes* (NRS) law violations. Rather than the State prosecuting or the Commission hearing a case on some of the issues, the dispute would be heard before the ALJ hearing officers.

For clarification, Chairwoman McClain advised the Subcommittee that approval of the \$60,000 for the three web-based, interactive, multi-media training CDs, allowed the agency to appear before IFC, not to purchase the CDs.

INDUSTRIAL DEVELOPMENT BONDS, BA 4683

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, presented an overview of BA 4683 to the Subcommittee and stated there were no major issues in this account. Staff recommended the account be closed as recommended by the Governor. The only decision unit in the account requested additional funding for Out-of-State Travel and appeared reasonable to staff.

SENATOR COFFIN MOVED TO CLOSE BA 4683 AS
RECOMMENDED BY THE GOVERNOR.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblyman Hardy was not present for
the vote.)

BUDGET CLOSED.

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DIVISION OF MORTGAGE LENDING, BA 3910

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, presented an overview of BA 3910 to the Subcommittee and stated there were six major closing issues in the account. There were also four budget amendments which affected the account. The Subcommittee had expressed concerns regarding the agency's projected fee revenues, new program initiatives, additional staffing, and the resulting reductions in the agency's reserves in The Executive Budget. The Governor's funding recommendations included 28 new positions recommended in decision unit E325 that were projected to generate \$3.7 million in new revenue over the biennium. The Division indicated to the Subcommittee that the projected revenue recommended in The Executive Budget was

overstated by approximately \$2.2 million in the 2007-09 biennium. If the 28 positions and associated costs were approved, with no other modifications to the agency's budget, the reserve would decrease to \$1.47 million at the end of FY 2008-09. To correct the overstated revenues and improve the agency's projected reserve balance, the agency and the Budget Division submitted a number of budget amendments, which were as follows:

- Budget Amendment Number 32—Eliminated the transfer of \$500,000 each year to fund the new Recovery Account recommended by the Governor in decision unit E327.
- Budget Amendment Number 67—Decreased incorrect Attorney General (AG) cost allocations by \$527,876 in FY 2007-08 and \$414,442 in FY 2008-09 as corrected in decision unit M100.
- Budget Amendment Number 68—Decreased incorrect Statewide Cost Allocation by \$8,563 each year as corrected in decision unit M100.
- Budget Amendment Number 79—Decreased various fee revenues that were overstated in decision unit E325 by \$1.25 million in FY 2007-08 and \$1.64 million in FY 2008-09; reduced new staff and associated expenses from 28 new positions to 17 new positions in decision unit E325 with corresponding cost reductions of \$518,981 in FY 2007-08 and \$594,538 in FY 2008-09; increased Attorney General assessment fee revenue in accordance with *Nevada Revised Statutes* (NRS) 645F.290 by \$1.13 million in FY 2007-08 and \$1.04 million in FY 2008-09; and eliminated stipulated settlement agreement income of \$100,000 each year of the biennium.

With all of the budget amendments, the Division estimated the reserve balance at the end of FY 2009 would increase to \$5 million.

Ms. Coffman addressed major item number two. The Executive Budget recommended transferring reserve funding from the Division to two new budget accounts, totaling \$1.0 million for a recovery account and \$551,880 over the biennium for a Mortgage Lending Education and Research account. With budget amendment number 32 the recovery account would be eliminated; however, that did not affect the Education and Research Account. The Governor recommended reserve funding of \$551,880 for decision unit E326 which would initially fund the Education and Research Account. The Subcommittee should note that Senate Bill (S.B.) 546 was introduced on March 26, 2007, and would establish the Education and Research Account. This allowed the Division to utilize up to \$20 of each of the initial licensing and renewal fee authorized in *NRS 645B* and *NRS 645E* for continued funding of the new account. If the Subcommittee wished to approve the Governor's recommendation to fund \$260,940 each year of the 2007-09 biennium for the proposed Education and Research account, the Subcommittee might wish to fund the account contingent upon the passage of S.B. 546.

Ms. Coffman advised the Subcommittee that major issue number three was the reduction of the AG and statewide cost allocation plan (SWCAP) assessments.

Ms. Coffman next addressed major issue number four. Budget amendment number 79 encompassed a number of modifications to the agency's revenues. The AG indicated to the Division of Mortgage Lending (MLD) that they could no longer collect the stipulated settlement agreement income. Budget amendment number 79 eliminated stipulated settlement agreement income in the amount of \$100,000 each year of the biennium.

As originally submitted, The Executive Budget included AG Cost allocation assessments for MLD in the amount of \$1.1 million in FY 2007-08 and \$1.0 million in FY 2008-09, compared to \$483,843 assessed in FY-2005-06. Historically, the agency was able to fund its AG cost allocation assessments with a combination of stipulated settlement agreement income and reserve reductions. However, because of declining reserves and the elimination of the agency's stipulated settlement agreement income, the agency had decided it could no longer absorb the AG cost allocation assessments. *Nevada Revised Statutes* (NRS) 645F.290 stated the Division can pass on to the industry any assessments it incurred. Therefore, budget amendment number 79 recommended an additional \$1.1 million in FY 2007-08 and \$1.0 million in FY 2008-09 for AG assessment fee revenue to be collected from the industry. If the Subcommittee chose to accept the revenue adjustments recommended in budget amendment number 79, and if the modifications described in major issue number three were approved, the AG cost allocation assessment revenue would be reduced to \$606,014 in FY 2007-08 and \$623,031 in FY 2008-09.

Ms. Coffman continued by describing major issue number five. Budget amendment number 79 reduced the number of new positions requested by the agency. In the Governor's recommendation, the agency had requested 28 new positions, consisting of 4 compliance investigators, 20 financial institutional examiners, and 4 administrative assistants. The 4 compliance investigators would be responsible for investigating suspected fraudulent activities and developing investigations for civil and criminal prosecution. According to the agency, approximately 842 complaints were filed in FY 2005-06. Of the 842 complaints filed, 261 were resolved by the agency's three compliance/audit investigators and 581 were resolved by financial institutions examiners. The agency indicated that if the four compliance/audit investigators were approved, the compliance audit investigators would be able to resolve 75 percent of the complaints, with the remaining 25 percent resolved by the financial institutions examiners.

Ms. Coffman continued by explaining that the 20 additional financial institutions examiners would be responsible for performing financial examinations on Nevada's 1,956 mortgage lending branch offices, as required by NRS 645B.060, which stated all mortgage lending branch offices must be examined annually. With existing staff, the agency completed examinations on approximately 19.5 percent of all branch offices in FY 2005-06. With the 20 additional financial institutions examiners, the agency would be able to examine 58.5 percent of all branch offices. While the additional 20 examiners would improve the percentage of branch offices examined, the agency would still be unable to perform 100 percent of all branch office examinations. Based upon these calculations, staff estimated the agency would need a total of 51 examiners to examine 100 percent of all branch offices under the current statutory requirements.

The four administrative assistants would eliminate temporary staffing currently used by MLD, and would perform additional clerical duties to support the 24 additional investigators and examiners.

The Budget Division submitted budget amendment number 79 to reduce the Governor's recommended 28 new positions to 17 new positions. The new positions consisted of 4 compliance/audit investigators, 11 financial institutions examiners, and 2 administrative assistants. The Subcommittee should note budget amendment number 79 retained the Governor's original request for 4 compliance/audit investigators with the intent of providing the same

justifications as previously stated. Budget amendment number 79 reduced the number of new financial institutions examiners from 20 new positions to 11 new positions. With the decreased number of examiners, the agency estimated it would be able to examine approximately 41 percent of all mortgage lending branch offices.

According to Ms. Coffman, the Division had indicated to staff that budget amendment number 79 preserved the most critical positions necessary to improve its compliance with statutory review requirements. Ms. Coffman pointed out to the Subcommittee that S.B. 546 revised NRS 645B.060 allowing for "biennial" examinations of all branch offices that received a satisfactory rating on their prior examination.

Ms. Coffman further noted that based on the information provided by the agency, the Governor's amended recommendation for 17 new positions appeared reasonable to staff. However, if the Subcommittee desired to approve the 17 new positions, staff recommended issuing a letter of intent directing the Division to evaluate its fee and associated revenue structure to insure adequate reserve levels and to develop a proper staffing plan to meet the annual examination requirements specified in NRS 645B.060. This plan would be presented to the Interim Finance Committee (IFC) after the agency had hired the 17 additional employees and had adequate time to study the new positions' impact on the agency. If justified, the Division had the ability to seek IFC approval for additional positions as needed.

Ms. Coffman continued with major issue number six, which related to the agency request for temporary staffing. The Division had requested this decision unit be considered only if the four administrative assistants in decision unit E325 were not approved. However, because the agency reduced the number of administrative assistants from four to two as recommended in budget amendment number 79, the Division would continue to require temporary staff in addition to the two permanent administrative assistants. If the Subcommittee chose to approve the two administrative assistants recommended in budget amendment number 79 for decision unit E325, staff recommended an adjustment to reduce the funding level for decision unit E329 by 25 percent in FY 2007-08 and by 50 percent in FY 2008-09 to a total cost of \$216,550 over the biennium to account for the two permanent administrative assistant positions that would be scheduled to start on January 1, 2008.

Ms. Coffman pointed out that under other issues, item number one, was contingent upon decision unit E325 not being approved. Decision unit E250 recommended reserve funding of \$23,339 over the biennium for 325 additional square feet of office space in Las Vegas.

Under other issues, item number three included a request for five lobby chairs and a front office desk for the Las Vegas office. These items were considered new equipment, and if approved, staff requested authority to move the expenditures to decision unit E720. Ms. Coffman stated that staff requested authority to make technical adjustments associated with the cost allocation for the Director's Office cost-of-living increases and unclassified salary adjustments. Also, a technical adjustment had been made in the amount of \$30,000 in FY 2008-09 to match the transfer from the Mortgage Lending account to the Education and Research account.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE APPROVE
BUDGET AMENDMENT NUMBER 32 AND APPROVE AUTHORITY

FOR THE EDUCATION AND RESEARCH ACCOUNT SHOULD
S.B. 546 PASS.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED. (Senator Coffin was not present for the vote.)

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SENATOR BEERS MOVED TO APPROVE REVISED ATTORNEY GENERAL AND STATEWIDE COST ALLOCATION PLAN ASSESSMENTS PURSUANT TO BUDGET AMENDMENTS 67 AND 68 AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION PASSED. (Senator Coffin was not present for the vote.)

A motion was made on budget amendment number 79 as follows:

SENATOR BEERS MOVED TO APPROVE A PORTION OF BUDGET AMENDMENT NUMBER 79 WHICH INCLUDED REVENUE MODIFICATIONS AND TECHNICAL ADJUSTMENTS TO THE ATTORNEY GENERAL ASSESSMENT FEE INCOME.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED. (Senator Coffin was not present for the vote.)

Chairwoman McClain opened a discussion on the final portion of budget amendment number 79 which included the approval of 17 new positions and a staff recommendation to issue a letter of intent directing the Division to evaluate its fee and associated revenue structure to ensure adequate reserve levels. Chairwoman McClain reminded the Subcommittee that the original request of 28 new positions was reduced to 17 new positions under budget amendment number 79. Senator Beers advised the Subcommittee that S.B. 546 was under consideration and would change the requirements under NRS 654B.060 for examinations of all mortgage lending branch offices from every year to every two years. Chairwoman McClain asked Ms. Coffman for further clarification on S.B. 546.

Ms. Coffman explained that S.B. 546 would allow biennial rather than annual examinations for the branch offices that had received satisfactory ratings for the prior year's examination. Currently approximately 40 percent of the industry received satisfactory examinations. Senator Beers indicated that the possibility of branch closures would increase the percentage of total examination compliances.

SENATOR BEERS MOVED THE SUBCOMMITTEE APPROVE:

1. ISSUANCE OF A LETTER OF INTENT DIRECTING THE DIVISION TO EVALUATE ITS FEE AND ASSOCIATED REVENUE STRUCTURE IN ORDER TO ENSURE ADEQUATE

RESERVE LEVELS AND DEVELOP A PROPER STAFFING PLAN TO MEET THE EXAMINATION REQUIREMENTS SPECIFIED IN NRS 645B.060.

2. PRESENTATION OF THE PLAN TO IFC AFTER THE AGENCY HIRED THE 17 ADDITIONAL EMPLOYEES AND HAD ADEQUATE TIME TO STUDY THE IMPACT OF THE NEW POSITIONS ON THE AGENCY.
3. A PROVISION THAT THE AGENCY WOULD HAVE THE ABILITY TO SEEK IFC APPROVAL FOR ADDITIONAL POSITIONS IF NEEDED.

SENATOR RHOADS SECONDED THE MOTION.

Assemblyman Parks asked whether the Subcommittee had looked into the downturn of the real estate market. According to Ms. Coffman, the agency had indicated to staff that they had not experienced a downturn in the mortgage lending industry. While the real estate industry had experienced a decline, the mortgage lending industry had been stable. Staff received quarterly reports from MLD on expenditures and revenues, and there appeared to be no decline. However, the agency, with the passage of budget amendment number 79, would have a reserve of \$5.0 million or approximately two years worth of the agency's existing expenditures, according to Ms. Coffman.

Assemblyman Hogan clarified that as a part of budget amendment number 79, the four administrative assistant positions requested were to replace the temporary staff. In his opinion all four of the positions should be approved. Chairwoman McClain noted the motion included only two administrative assistant positions; however a provision was included to allow the Division to seek IFC approval for additional positions as needed.

THE MOTION CONCERNING THE ADDITIONAL STAFFING IN BUDGET AMENDMENT 79 PASSED. (Senator Coffin was not present for the vote.)

Chairwoman McClain stated the issue of temporary staffing in decision unit E329 would be addressed next. Senator Beers advised that decision unit E325 was modified by budget amendment number 79 and accepted by the Subcommittee. Decision unit E329 should, therefore, be reduced given the addition of two administrative assistants approved in budget amendment number 79.

Mr. Hogan acknowledged that was correct, and the reduction from 28 to 17 was substantial. A review prior to IFC would assure the number of administrative assistants was adequate. Chairwoman McClain agreed and noted the opportunity to appear before IFC to request additional staff gave the Division the flexibility it needed.

ASSEMBLYMAN HARDY MOVED THAT THE SUBCOMMITTEE REDUCE THE FUNDING LEVEL FOR DECISION UNIT E329 BY 25 PERCENT IN FY 2007-08 AND 50 PERCENT IN FY 2008-09 TO ACCOUNT FOR TWO PERMANENT ADMINISTRATIVE ASSISTANT POSITIONS SCHEDULED TO START ON JANUARY 1, 2008.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

Senator Coffin stated concerns regarding the Governor's recommendations to reduce staffing. Mr. Hogan noted the MLD was established during the 2003 Legislative Session to address the problem of lenders basing loans on commercial projects rather than on home ownership. The legislation was prompted by mortgage investors who lost large sums of money to mortgage lenders. Consumer protection was the concern of the MLD.

Chairwoman McClain agreed more staffing would probably be required by MLD in the future, which was the point of providing the flexibility of appearing before IFC.

THE MOTION PASSED.

SENATOR COFFIN OPPOSED.

Chairwoman McClain requested a motion for the additional office space, technology investment request, and replacement equipment.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. NOT APPROVE LEASE OF ADDITIONAL OFFICE SPACE IN DECISION UNIT E250.
2. APPROVE THE TECHNOLOGY INVESTMENT REQUEST AS RECOMMENDED BY STAFF IN DECISION UNIT E586 IN ACCORDANCE WITH THE EARLIER APPROVAL OF THE RECOMMENDED TIR PROJECTS WITHIN BA 4681, BUSINESS AND INDUSTRY ADMINISTRATION.
3. GRANT APPROVAL FOR FISCAL STAFF TO MAKE NECESSARY TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN PARKS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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MORTGAGE LENDING RECOVERY, BA 3912

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, stated that with the approval of budget amendment number 32 in Budget Account (BA) 3910, staff recommended the elimination of BA 3912.

ASSEMBLYWOMAN KOIVISTO MOVED TO ELIMINATE BA 3912.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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MORTGAGE LENDING EDUCATION AND RESEARCH, BA 3913

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, stated that Budget Account (BA) 3913 was a new budget account establishing the Education and Research section of the Division of Mortgage Lending. Decision unit E326 established funding for the Education and Research account through reserve transfers from the Mortgage Lending account in the amount of \$260,940 each year of the 2007-09 biennium. Ms. Coffman pointed out that the Subcommittee should note that if Senate Bill (S.B.) 546 was not approved, the Division would not have the statutory authority to regulate course content, set forth course requirements, or conduct audits on course providers. Therefore, if the Subcommittee wanted to approve funding for the Education and Research account, the funding should be contingent upon the passage of S.B. 546.

Ms. Coffman also noted that BA 3913 was requesting two new positions, an education and information officer and an administrative assistant 2. The education and information officer would be responsible for reviewing and monitoring education programs required for licensure and ensuring course instructors comply with the proposed statutory requirements. The administrative assistant 2 position would be responsible for providing the education and information officer with clerical support. Although staff believed the recommendation for the new education and information officer was reasonable, adequate justification had not been provided by the agency to substantiate the need for the administrative assistant 2 position. Therefore, staff recommended the Subcommittee approve only the education and information officer.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. CREATE BA 3913 CONTINGENT UPON PASSAGE OF S.B. 546.
2. APPROVE ONE NEW EDUCATION AND INFORMATION OFFICER POSITION.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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TAXICAB AUTHORITY, BA 4130

Ms. Sarah Coffman, Program Analyst, Fiscal Analysis Division, stated there were three major issues in Budget Account (BA) 4130. The first major issue was the projected decline in reserve. The Governor's budget recommended a reserve balance of \$365,332 in FY 2008-09, which was an 83 percent decline from the reserve balance of \$2.1 million in FY 2005-06. The Governor's budget recommended revenue increases of 2 percent in FY 2007-08, over the actual amount collected in FY 2005-06 and a 1.5 percent increase in FY 2008-09 over FY 2007-08. The agency experienced a 3 percent increase in revenue in FY 2005-06 and was anticipated to increase revenue by an additional 2 percent in FY 2006-07. Based on the data collected, staff recommended revising the agency's revenue projections from FY 2007 estimates to reflect a 3 percent

increase in FY 2008 and an additional 3 percent increase in FY 2009. The revised revenue projections generate an additional \$195,606 in revenue in FY 2008 and \$291,010 in FY 2009. With recommended adjustments for the Statewide Cost Allocation Plan and the Director's Office cost allocation, the agency's reserve balance would increase to \$895,833 at the end of FY 2008-09 which was equivalent to approximately one and one-half months of the agency's operating expenditures. According to the agency, the optimum reserve level would be approximately \$1.2 million. Therefore, if the revised revenue projections were approved, the agency would be approximately \$300,000 below its optimum reserve level.

Ms. Coffman continued with the overview of major issue number two, the Senior Ride funding. The agency was requesting an additional \$207,925 in FY 2008 and \$213,367 in FY 2009 to increase the transfer to the Aging Services Division to support the Senior Ride Program. The Senior Ride Program provided discounted taxicab fares to all Clark County residents over the age of 60 or who have a permanent disability. During FY 2006, the Aging Services Division indicated that on average \$24,500 worth of coupon books were sold each month. Decision unit E327 would increase monthly sales of the coupon books to approximately \$36,974 during each month of the 2007-09 biennium and would provide funding to upgrade an administrative assistant 1 position in the Division's Older Americans Act account (BA 3151) to an administrative assistant 2. Ms. Coffman pointed out that the Subcommittee should note that although the Aging Services Division indicated that it could use additional funding to increase the average monthly sales of Senior Ride coupons, the increased funding recommended by the Governor for the Senior Ride Program would reduce the reserve for this account to \$895,833 in FY 2009, which was approximately \$300,000 less than the optimum reserve level of \$1.2 million for the account.

Ms. Coffman stated that staff had provided the Subcommittee with the following options to consider:

- a. Reduce by \$150,000 per year (\$300,000 over the biennium) the transfer to the Senior Ride Program. This option authorized the Aging Services Division to increase its average monthly sales of coupons from \$24,250 in FY 2006 to \$24,474 in each year of the 2007-09 biennium without reducing the reserve level below the optimum level of \$1.2 million in FY 2009.
- b. Reduce by \$100,000 per year (\$200,000 over the biennium) the transfer to the Senior Ride Program. This option allowed the Aging Services Division to increase its average monthly sales of coupons from \$24,250 in FY 2006 to \$28,640 in each year of the 2007-09 biennium while ensuring that the reserve level in the account was approximately \$1.0 million in FY 2009, or 85 percent of the optimum level.
- c. Approve increasing the transfer of funds to the Senior Ride Program to provide for average monthly sales of coupons totaling \$36,874 in each year of the 2007-09 biennium as recommended by the Governor. If this option was approved, staff recommended technical adjustments to decrease the amounts recommended by \$49 in FY 2007-08 and \$279 in FY 2008-09 to match the transfers from the Taxicab Authority to the Aging Services Division.

Ms. Coffman continued with major issue number three, one new position. Decision unit E326 recommended reserve funding of \$101,307 in the 2007-09 biennium to fund a new public safety dispatcher 4 position. The position would

act as a first-line supervisor over the four public safety dispatchers and provide backup coverage for the dispatcher 3 positions and monitor data entered into the system. Currently, a compliance/enforcement investigator supervised the dispatcher 3 positions. Fiscal staff had reviewed the staffing requirement of the dispatch unit for the Nevada Highway Patrol (NHP) and it appeared that NHP maintained 5.0 full-time equivalent (FTE) per dispatch console as a console must be staffed 24 hours, which equated to 8,760 hours per year. One dispatcher position covered approximately 1,670 hours each year; therefore, five positions were required to operate one dispatch console. The agency estimated the addition of one position would reduce the overtime expenditures by 17 percent. Based on the information provided by the agency, the additional dispatcher position appeared reasonable to staff. If approved, fiscal staff requested authority to reduce overtime expenditures by \$6,723 each year of the 2007-09 biennium.

Under other closing items, Ms. Coffman pointed out that budget amendment number 68, the reduction of statewide cost allocation plan (SWCAP) assessments was affecting BA 4130. There was a request for a three-grade pay increase for the agency's 36 sworn peace officers. During the Department of Business and Industry's budget closings on March 30, 2007, the Subcommittee indicated they would review the sworn peace officer salary adjustments for all affected agencies. Ms. Coffman noted the Subcommittee might wish to consider the approval of the recommended peace officer salary adjustments for the Taxicab Authority in conjunction with all other agencies that had included recommendations for the sworn peace officer salary adjustments in their respective budget accounts.

According to Ms. Coffman, there was also one technical adjustment needed for BA 4130. The Executive Budget did not include cost allocation funding to support unclassified salary adjustments and cost of living adjustments for the Director's Office.

Chairwoman McClain suggested the Subcommittee review each item separately. The first item was the projected decline in the reserve.

SENATOR BEERS MOVED TO ACCEPT THE REVISED REVENUE PROJECTIONS.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

The next item for consideration was the increase in the Senior Ride Program funding. Senator Beers questioned whether there was an expiration date on the coupons for the Senior Ride Program. According to Ms. Coffman, the expiration date was one year, at which time the Aging Services Division had the option to either use the reverted funds for expenditures for the Program or revert funds to the Taxicab Authority. Ms. Coffman suggested the Subcommittee consider a letter of intent to indicate that if the Taxicab Authority revenues increased, additional funding be established for the Aging Services Division Senior Ride Program.

Chairwoman McClain suggested a compromise between option b and option c might be appropriate. Senator Beers suggested leaving the budgeted reserve at 80 percent rather than the 75 percent in option c.

Ms. Coffman explained that option a would provide 2 coupon books per month per constituent, option b would provide 2.3 coupon books per month per constituent, and option c would provide 4 coupon books per month per constituent. If the Subcommittee wanted to approve an amount between option b and option c, it would average 3 coupon books per month per constituent.

Senator Beers suggested adding a provision that unclaimed coupon books would be reverted to the Taxicab Authority.

SENATOR BEERS MOVED THAT STAFF DEVELOP A FOURTH OPTION FOR 3 COUPON BOOKS PER MONTH PER CONSTITUENT AND TO REQUIRE THE AGING SERVICES DIVISION TO REVERT UNUSED COUPONS TO THE TAXICAB AUTHORITY.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

Senator Beers withdrew the motion.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. APPROVE OPTION C.
2. REQUIRE THE AGING SERVICES DIVISION TO REVERT UNUSED COUPONS TO THE TAXICAB AUTHORITY, EITHER THROUGH A LETTER OF INTENT OR STATUTORY CHANGE.
3. REQUIRE THE TAXICAB AUTHORITY TO REPORT TO INTERIM FINANCE COMMITTEE BIANNUALLY ON THE RESERVE LEVELS.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

Assemblyman Hogan observed that because of the number of seniors involved in the programs, many coupon books could get misplaced and not recovered until the after the expiration date. The Subcommittee might consider an addendum to the motion for individuals to receive a refund for those coupon books. Chairwoman McClain stated the Subcommittee would consider the motion currently on the floor and request additional information on Mr. Hogan's observation.

Senator Beers revised his motion.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. APPROVE OPTION C.
2. REQUIRE THE AGING SERVICES DIVISION TO REVERT UNUSED COUPONS TO THE TAXICAB AUTHORITY, EITHER THROUGH A LETTER OF INTENT OR STATUTORY CHANGE.
3. REQUIRE THE TAXICAB AUTHORITY TO REPORT TO INTERIM FINANCE COMMITTEE BIANNUALLY ON THE RESERVE LEVELS.
4. REQUIRE AGING SERVICES DIVISION TO PREPARE A REPORT ON THE ADMINISTRATION OF THE COUPON PROGRAM.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

Assemblyman Hardy did not believe the coupons should have an expiration date. Chairwoman McClain agreed the Subcommittee could look into eliminating the expiration date for the coupons. Dr. Hardy asked whether the money paid for the coupon books was deposited in an interest-bearing account. Senator Coffin suggested the Subcommittee might also consider raising the eligibility age for the program. Chairwoman McClain agreed that raising the age of eligibility should be a consideration.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman McClain opened the discussion for the third major closing issue, the new dispatcher position. Assemblyman Parks asked whether there were statistics available indicating the number of calls received by the Taxicab Authority dispatch. Mr. Parks was also interested in learning whether there would be someone available for data entry.

Ms. Coffman stated that the number of calls was not considered when staff performed an analysis of the dispatch center. The Taxicab Authority had only one console whereas NHP had multiple consoles. With only one console, the justification provided was based on the coverage one console required. Typically in a 24 hours 7 days-per-week establishment, one console required 5 FTE to maintain, including holidays, vacations, and sick time, which was the state general standard. As far as the data entry question, there currently was not a dedicated position monitoring the data entry. The data was used as record keeping and should be monitored to ensure accuracy. The Public Safety dispatch supervisor would be monitoring the accuracy.

Mr. Parks asked whether NHP dispatch could provide coverage if the Subcommittee did not approve the additional position. If the position was approved, would the \$6,723 for overtime be eliminated? Ms. Coffman stated that originally the NHP was the dispatch center for the Taxicab Authority. The Taxicab Authority moved to a system independent of the NHP system and which did not communicate with the NHP system.

According to Ms. Coffman, the agency had indicated approximately \$35,000 was spent annually for overtime expenses for the dispatch unit. The entire Taxicab Authority was only allocated a total of \$39,000 for overtime. With the addition of the new position, the actual amount of reduction would be approximately 17 percent or \$6,723 in overtime which would be eliminated from the Taxicab Authority budget.

SENATOR BEERS MOVED TO APPROVE THE PUBLIC SAFETY
DISPATCHER 4 POSITION.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman McClain opened discussion for budget amendment number 68 which reduced SWCAP assessments in the 2007-09 biennium.

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. GRANT APPROVAL FOR STAFF TO MAKE NECESSARY
TECHNICAL ADJUSTMENTS TO COST ALLOCATIONS FOR
DISPATCH.

2. APPROVE DECISION UNIT E715 FOR REPLACEMENT EQUIPMENT.
3. HOLD THE SWORN SALARY ADJUSTMENT IN DECISION UNIT E812 PER PREVIOUS DISCUSSIONS.
4. APPROVE DECISION UNIT M804 AGENCY RESERVE CREDITS.
5. GRANT APPROVAL FOR FISCAL STAFF TO MAKE NECESSARY ADJUSTMENTS BASED UPON THE FINAL DECISIONS OF THE MONEY COMMITTEES.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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MANUFACTURED HOUSING DIVISION, BA 3814

Ms. Julie Diggins, Program Analyst, Fiscal Analysis Division, stated there were two major issues in Budget Account (BA) 3814. The Subcommittee had previously heard the closing issues, but had requested additional information regarding whether the rural areas were permitted to hire inspectors. The Division provided information indicating Humboldt County and Lander County had cooperative agreements currently being processed to perform installation inspections. The Division believed the two counties had qualified personnel with the necessary expertise to perform the inspections.

Ms. Diggins continued with the reserve level issue which was discussed by the Subcommittee. The money committees expressed concern over the high reserves and, via a letter of intent, directed the Division to submit semiannual reports on revenue and expenditure activity and the corresponding impact on reserve levels.

Ms. Diggins explained that another major issue was the three new positions requested: one management analyst position and two manufactured housing inspector positions in decision unit E251. Staff believed the Division provided adequate justification for the manufactured housing inspector positions; one in Las Vegas and one in Carson City. The justification was not adequate to support the need for the management analyst position.

Ms. Diggins stated there was also an issue with replacement equipment which was previously discussed by the Subcommittee. The Subcommittee had suggested the software not be approved.

Chairwoman McClain opened the issues for discussion. It was Chairwoman McClain's recommendation to accept staff recommendations regarding the reserve level. As far as the new positions were concerned, Chairwoman McClain stated the management analyst was not justified, but in her opinion, the Subcommittee should consider the approval of the two manufactured housing inspector positions.

Senator Beers expressed concern regarding the agreement for Humboldt and Lander Counties. Chairwoman McClain stated that in those two counties there

were individuals available who understood the inspection process for manufactured housing, whereas other counties had no one available for training.

According to Assemblyman Grady, he had no knowledge of anyone in Lander County having signed a contract. Mr. Grady questioned why Humboldt County and Lander County had been able to find an individual with the required experience, but Elko County, a larger county with a building department, had not been able to find a qualified individual. Ms. Diggins explained the Division had indicated that with the approval of the 2 manufactured housing inspectors the rural areas would be adequately covered.

Senator Beers commented that currently in Elko County the inspections were to be performed every two weeks. Ms. Diggins confirmed that was correct according to the Division. Senator Beers affirmed the new positions were for Carson City and Las Vegas.

Mr. Grady stated that according to both Assemblyman Pete Goicoechea and Assemblyman John Carpenter, the inspections were not being performed every 2 weeks as stated by the Division, and their constituents would attest to that fact.

Chairwoman McClain recognized Ms. Renee Diamond, Administrator, Manufactured Housing Division. Ms. Diamond testified that although the Elko area included the city of Elko and the county building departments, the Division considered the northeastern tier to include the two counties adjacent to Elko County as well. The growth in Elko County was not sufficient to support a full-time position. There was a bill sponsored by Mr. Grady, Mr. Carpenter, and Mr. Goicoechea to place an inspector in Elko. A contract inspector located in Elko County would not have authority in the adjacent counties.

Ms. Diamond testified that Lander County had a certified inspector who had recently signed a contract. The inspections in the urban areas had fallen behind because of the shortage of inspectors. Inspections had been performed routinely in Elko County every two weeks. If the Division did not receive a request from an installer, the Division could not schedule an inspection. On occasion, the installer did not request the inspection in a timely manner.

Assemblyman Hardy asked whether the management analyst position could be located in Elko and job-share with the inspector. Ms. Diamond replied that the management analyst position was for the Las Vegas office and supported the agency as a whole. Dr. Hardy stated that with the need in Elko, the position might be better located in Elko to assist with inspections.

Ms. Diamond stated that the qualifications in the state system for a management analyst were financial and management qualifications. The manufactured housing inspector qualifications were far different. The inspector must be trained in codes and building issues. The manufactured homes must be inspected for safety in installation to a technical code provided by the U.S. Housing and Urban Development (HUD).

SENATOR BEERS MOVED THAT THE SUBCOMMITTEE:

1. APPROVE THE TWO MANUFACTURED HOUSING INSPECTOR POSITIONS IN DECISION UNIT E251.
2. NOT APPROVE THE ONE MANAGEMENT ANALYST POSITION IN DECISION UNIT E251.

3. HOLD BUDGET AMENDMENT NUMBER 86 [RELATING TO A RENT INCREASE FOR THE DIVISION].
4. APPROVE BUDGET AMENDMENT NUMBER 68 [INCREASE THE STATEWIDE COST ALLOCATION TO \$55,016 EACH FISCAL YEAR OF THE BIENNIUM].
5. APPROVE BUDGET AMENDMENT NUMBER 67 [REDUCE THE ATTORNEY GENERAL COST ALLOCATION TO \$72,453 IN FY 2007-08 AND \$48,689 IN FY 2008-09].
6. DENY ELEMENTS OF DECISION UNIT E710 THAT WERE IN ADVANCE OF REPLACEMENT SCHEDULE.
7. GRANT APPROVAL FOR STAFF TO MAKE TECHNICAL ADJUSTMENTS AS REQUIRED.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION PASSED.

ASSEMBLYMAN GRADY AND ASSEMBLYMAN PARKS OPPOSED.

BUDGET CLOSED.

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CONSUMER AFFAIRS DIVISION, BA 3811

Ms. Julie Diggins, Program Analyst, Fiscal Analysis Division, presented an overview of Budget Account (BA) 3811 to the Subcommittee. According to Ms. Diggins, staff had received information from the Budget Division with respect to the proposed General Fund budget reductions recommended by the Governor for the Department of Business and Industry, which affected the Consumer Affairs Division. Pursuant to the Governor's budget reduction recommendation, the agency proposed to reduce recommended funding for module E710 by \$5,311 in FY 2007-08 and \$4,157 in FY 2008-09. The remaining amounts for replacement equipment would be \$1,461 in FY 2007-08 and \$565 in FY 2008-09.

According to Ms. Diggins, the next decision unit, E325, was for Internet fraud training. Pursuant to the Governor's budget reduction recommendation, the agency proposed to eliminate this decision module from its 2007-09 budget. The proposed reduction was \$1,710 each year of the biennium.

According to Ms. Diggins, during the 2005-07 biennium, the Legislature approved funding for a database tracking system. Senate Bill (S.B.) 470 extended the reversion date of the project funded. The bill had been introduced and referred to the Committee on Finance. There was no closing action required by the Subcommittee on this issue.

SENATOR BEERS MOVED TO CLOSE THE BUDGET AS RECOMMENDED BY STAFF AND TO GIVE STAFF APPROVAL TO MAKE ADJUSTMENTS INCLUDING ACCOMMODATIONS FOR S.B. 470, IF REQUIRED.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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LABOR COMMISSIONER, BA 3900

Ms. Julie Diggins, Program Analyst, Fiscal Analysis Division, presented an overview for the Subcommittee. Pursuant to the Governor's budget reduction recommendation, the Labor Commission had proposed to eliminate the website upgrade from its 2007-09 budget.

Decision unit E325 reflected a requested increase for In-State Travel. Staff believed this was a reasonable recommendation. Under decision unit E715 for replacement equipment, staff recommended an additional \$220 in FY 2008-09 to allow the agency to purchase anti-virus software for an additional five computers. Ms. Diggins stated there were no other issues with this budget account.

ASSEMBLYMAN PARKS MOVED TO CLOSE THE BUDGET AS
RECOMMENDED BY STAFF.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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EMPLOYEES MANAGEMENT RELATIONS BOARD, BA 1374

Ms. Julie Diggins, Program Analyst, Fiscal Analysis Division, presented issues for the Employees Management Relations Board, Budget Account (BA) 1374. Decision unit E325 reflected a recommended increase for In-State Travel. Pursuant to the Governor's budget reduction recommendation, the agency proposed to reduce the recommended funding \$3,720 in FY 2007-08. The remaining additions to In-State Travel would be \$4,459 for FY 2007-08 and \$8,179 for FY 2008-09. Based on the proposed scheduling of consecutive meetings, it appeared that this decision unit would result in cost savings. Staff recommended approval of the recommendation, but Ms. Diggins said the Subcommittee might want to stipulate that if the full amount of travel authority was not required for the Board hearings and meetings, any unused portion must be reverted and not substituted for other travel purposes.

A technical adjustment was made to the replacement equipment decision unit pursuant to the Governor's budget reduction request, and funding of \$1,436 was eliminated. Staff noted that decision unit E275 for \$3,989 over the biennium for the purchase of a laptop, software and printer remained intact.

Chairwoman McClain requested a motion.

ASSEMBLYMAN PARKS MOVED TO CLOSE THE BUDGET WITH
STAFF RECOMMENDATIONS.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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HOUSING DIVISION, BA 3841

Ms. Julie Diggins, Program Analyst, Fiscal Analysis Division, presented an overview of Budget Account (BA) 3841 to the Subcommittee. According to Ms. Diggins, the Subcommittee had discussed the closing issues associated with this budget account at an earlier meeting and had delayed closing the budget account based on testimony for the transfer of the accountant 2 position. Based on the Subcommittee's motion to deny the position transfer, staff recommended elimination of the accountant 2 position from the Housing Division budget account as there did not appear to be sufficient workload justification to maintain the position.

Ms. Diggins provided details for decision unit M597. The Executive Budget recommended \$10,666 each year of the biennium from the tax credits-audit fees revenue source for regulatory compliance training costs. Staff had reviewed the recommendation and believed it to be reasonable.

Ms. Diggins explained that the purpose of decision unit E801 was to allocate the auditor 2 position costs to the Housing Division's Home Investment Partnerships (HOME) Program. Staff believed this was a reasonable recommendation.

With respect to the issue of the Subcommittee's review of the work program, Ms. Diggins stated that the intent of the work program request deferred by the Interim Finance Committee (IFC) in the March 21, 2007, meeting was to increase budget authority for various costs necessary to implement the new Teachers' First Home Loan Program. Responding to the IFC directive to the Division to provide additional details of the new program, the Housing Division submitted an overview letter which provided additional details of the new program ([Exhibit C](#)).

Chairwoman McClain advised the Subcommittee that [Exhibit C](#) explained the details related to the \$61,200 work program request, which was to be used for initial planning to provide a recruitment incentive for new teachers.

Senator Beers questioned whether the Subcommittee had the authority to approve the work program. Ms. Diggins explained the Subcommittee could approve the intent of the work program, and the Division would resubmit it to IFC.

SENATOR BEERS MOVED THE SUBCOMMITTEE:

1. APPROVE THE INTENT OF THE WORK PROGRAM.
2. ELIMINATE THE ACCOUNTANT 2 POSITION RATHER THAN TRANSFER TO THE DIRECTOR'S OFFICE.
3. RETAIN THE FOUR VACANT POSITIONS IN THE HOUSING DIVISION.
4. CLOSE THE BUDGET WITH STAFF RECOMMENDATIONS.

5. GRANT APPROVAL FOR STAFF TO MAKE NECESSARY
TECHNICAL REVISIONS.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

BUDGET CLOSED.

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ATHLETIC COMMISSION, BA 3952

Ms. Julie Diggins, Program Analyst, Fiscal Analysis Division, reminded the Subcommittee of previous discussion regarding the Advisory Committee on Boxer Health and Safety and the death of two boxers in Nevada in 2005. The Budget Division subsequently submitted budget amendment number 72 which requested funding for MRI/CAT scans, expanded drug testing, and provided the ability to hire a part-time physician as a consultant. These items were not included in the Governor's recommended budget. In response to the Governor's request to reduce funding, the agency proposed to reduce the increased funding requests in budget amendment number 72 from \$267,000 each fiscal year (FY) to \$143,000 in FY 2008 and \$177,000 in FY 2009. The agency had prioritized the decision units with the MRI/CAT scan being first, the expanded drug testing being second, and the part-time physician being third.

According to Ms. Diggins, under other closing items, the \$16,687 per year cost allocation was removed from Budget Account (BA) 3952. Because the agency was funded through General Fund appropriations, budget amendment number 68 was submitted to eliminate the Statewide Cost Allocation Plan (SWCAP) cost allocation.

Ms. Diggins continued by explaining to the Subcommittee that the agency reduced the request for funding from their safety reference booklet in module E325 by \$1,500 each fiscal year. The agency also indicated they were in the process of developing a written overtime policy.

Assemblyman Parks noted the agency had reduced the requested funding in modules E326, E327 and E328. Mr. Parks suggested that the boxing promoters should be required to perform the necessary testing at their own expense. He believed the testing was necessary, but believed the cost burden should be on the boxing promoters.

Senator Coffin voiced agreement with Mr. Parks; however, the Legislature had been working for many years to have the proposed testing required because of the deaths in the boxing ring. He believed the State had a moral obligation to protect the boxers. Senator Coffin did not want to close the budget without requiring the tests whether the State or the promoter paid for the costs.

Assemblyman Hardy stated that the Legislature had a responsibility to protect the boxers brought into the State for exhibition purposes. It was his opinion that the promoters in the rural areas were probably not making large sums of money for the boxing exhibitions and requiring those promoters to pay for testing would create a hardship.

Senator Beers voiced agreement with his colleagues. He proposed to not reduce the enhancements. Ms. Diggins explained that budget amendment number 72 was the original budget amendment requesting \$267,000 each fiscal year. Pursuant to the Governor's recommended budget reduction, the agency proposed to reduce the amounts to \$143,000 in FY 2008 and \$177,000 in FY 2009.

Senator Beers clarified that a budget amendment had not been received to reduce the enhancement request. Ms. Diggins responded that the budget amendment was for the initial proposal of \$267,000 each fiscal year. The Governor requested budget reductions had not been discussed or included as an additional amendment.

SENATOR BEERS MOVED TO CLOSE THE BUDGET WITH BUDGET AMENDMENT NUMBER 72, INCREASING GENERAL SUPPORT BY \$267,000 EACH FISCAL YEAR.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

Senator Beers noted that in FY 2006 nearly \$4 million was put into the General Fund from boxing revenues. Chairwoman McClain expressed concerns regarding the expanded drug and steroid testing outside of the United States.

Chairwoman McClain recognized Mr. Greg Ferraro, representative of the Nevada State Athletic Commission. Mr. Ferraro addressed the issue of international drug testing. According to Mr. Ferraro, there were more international fighters being booked for bouts in Las Vegas. The operating theory behind the drug testing was to random sample the boxers when the bout was booked. Often when the booking occurred, the fighter was in training outside the United States. By postponing the testing until the boxer arrived in Las Vegas for the bout, the enhancement drugs could have been eliminated from the boxer's endocrine system.

Chairwoman McClain asked Mr. Ferraro to comment on the part-time physician requested. Mr. Ferraro explained that the assignment of a part-time physician would be to evaluate medical testing data prior to the fight, look at a fighter's medical history, and make a recommendation to the Commission based on the fighter's long- and short-term medical history. Additionally, the physician could evaluate ringside activity.

In response to Chairwoman McClain's question regarding necessity for MRI/CAT scans, Mr. Ferraro explained that the Advisory Committee on Health and Safety originally recommended a mobile MRI/CAT scan. After extensive research, it was determined a mobile unit was cost prohibitive. The Commission then determined the best alternative was to transport the fighter to the MRI/CAT scan. The budgeted funding was based on 872 contestants at \$250 per scan. The scan provided early detection of subdural hematomas in the fighters. The fighter could then be followed and closely monitored.

Although Assemblyman Parks opposed the budget amendment, he commented that boxing activity had generated \$4.4 million in FY 2006 and projected \$5 million for FY 2007, but he believed that adding costs of nearly \$500,000 in budget amendment number 72 would enhance the revenue that much more.

Senator Coffin asked Mr. Ferraro whether he had a clear understanding of the motion before the Subcommittee and whether the budget amendment was

going to aid the Commission in achieving its goal. Mr. Ferraro responded that he understood the motion and believed it was going to move the Commission much closer to where the Commission needed to go. It was commendable that the State was making an international statement toward the protection of fighters.

Senator Coffin wanted to confirm that the required number of medical examinations would be possible with the proposed budget amendment. If that was the case, he would support the motion. Mr. Ferraro stated the budget amendment was much better than the proposed reduction and putting the safeguards into place to protect the fighters was the priority.

THE MOTION REGARDING BUDGET AMENDMENT 72 PASSED.

ASSEMBLYMAN PARKS OPPOSED.

BUDGET CLOSED.

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There being no further discussion, Chairwoman McClain adjourned the meeting at 11:05 a.m.

RESPECTFULLY SUBMITTED:

Linda Blevins
Committee Secretary

APPROVED BY:



Assemblywoman Kathy McClain, Chair

DATE: _____

Senator Bob Beers, Chair

DATE: _____

EXHIBITS			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government</u>			
Date: <u>April 10, 2007</u>		Time of Meeting: <u>8:00 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Sign-In Sheet
	C	Julie Diggins, Fiscal Analyst	Housing Division Letter