

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session  
May 14, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:14 a.m. on Monday, May 14, 2007, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator William J. Raggio, Chair  
Senator Bob Beers, Vice Chair  
Senator Dean A. Rhoads  
Senator Barbara K. Cegavske  
Senator Bob Coffin  
Senator Dina Titus  
Senator Bernice Mathews

**STAFF MEMBERS PRESENT:**

Joi Davis, Program Analyst  
Julie Diggins, Program Analyst  
Jeffrey A. Ferguson, Program Analyst  
Gary L. Ghiggeri, Senate Fiscal Analyst  
Larry L. Peri, Principal Deputy Fiscal Analyst  
Michael Archer, Committee Secretary

**OTHERS PRESENT:**

Dan R. Reaser, National Vehicle Protection Association  
R. Ben Graham, Nevada District Attorneys Association  
Michael Fischer, Director, Department of Cultural Affairs  
Renee Parker, Chief of Staff, Office of the State Treasurer  
Dino DiCianno, Executive Director, Department of Taxation

CHAIR RAGGIO:

Are there any preliminary matters to come before the Committee?

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

We have the amendment for [Senate Bill \(S.B.\) 346](#) which is the Governor's methamphetamine task force bill. The amendment provides for an appropriation of \$9,900 to fund the costs of the working group in fiscal year (FY) 2006-2007. The Committee has previously voted on this amendment.

[SENATE BILL 346](#): Makes an appropriation to the Office of the Governor to fund a working group to study the methamphetamine problem in Nevada. (BDR S-1201)

CHAIR RAGGIO:

The Committee asked for an amendment for [S.B. 346](#) to separate the fiscal year costs incurred by the working group.

SENATOR CEGAVSKE MOVED TO APPROVE AMENDMENT 693 TO S.B. 346.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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MR. GHIGGERI:

The Committee has received a bill draft request (BDR) to fund \$90,100, the remainder of the methamphetamine task force cost, over the next biennium. This bill cannot be passed until after education funding is approved.

**BILL DRAFT REQUEST S-1504**: Makes appropriation for the next biennium to fund a working group to study the methamphetamine problem in Nevada. (Later introduced as S.B. 570.)

CHAIR RAGGIO:

This is an appropriation for the 2007-2009 biennium to cover anticipated expenses incurred by the working group.

SENATOR CEGAVSKE MOVED TO INTRODUCE BDR S-1504.

SENATOR RHODES SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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MR. GHIGGERI:

There are two proposed amendments to S.B. 161, one from Senator Beers and another from Senator Coffin.

**SENATE BILL 161**: Revises the requirements for the inspection of motor vehicles for the control of emissions. (BDR 40-252)

CHAIR RAGGIO:

Senator Beers has indicated he is withdrawing his amendment.

SENATOR BEERS:

Yes, that is correct.

MR. GHIGGERI:

Last week the Committee received Amendment 3937 as requested by Senator Coffin. You have a letter dated May 11, 2007, from the Division of Environmental Protection addressing this amendment ([Exhibit C](#)).

SENATOR COFFIN:

We have had enough time on this bill. As members of the Senate Committee on Natural Resources, Senator Dean A. Rhoads and myself have participated in the hearings on this proposed amendment.

SENATOR COFFIN MOVED TO AMEND AND DO PASS AS AMENDED S.B. 161 WITH AMENDMENT 3937 AND TO ADD ALL MEMBERS OF THE COMMITTEE AS SPONSORS OF THE BILL.

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee heard S.B. 251 on March 26, 2007. This appropriation is included in the budget.

**SENATE BILL 251**: Makes appropriations to the State Department of Conservation and Natural Resources for the Division of Water Resources, Division of Forestry, Forestry Conservation Camps and Division of State Parks. (BDR S-1221)

MR. GHIGGERI:

Mr. Jeff Ferguson, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed this appropriation. The Committee has received a copy of the proposed amendment and supporting documentation (Exhibit D, original is on file in the Research Library). The \$250,000 appropriated to the Channel Clearance Account will not revert to the General Fund as specified in section 2 of the proposed amendment.

CHAIR RAGGIO:

Is this account utilized?

MR. GHIGGERI:

The account is utilized; however, the appropriation will not revert. It is a revolving account.

SENATOR RHOADS MOVED TO AMEND AND DO PASS AS AMENDED S.B. 251 AS RECOMMENDED BY STAFF AND OUTLINED IN EXHIBIT D.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee heard S.B. 422 on May 8, 2007.

**SENATE BILL 422 (1st Reprint)**: Requires the creation of a registry and inventory of greenhouse gases emitted in this State. (BDR 40-678)

MR. GHIGGERI:

An amendment is not required for this bill. The Division of Environmental Protection provided a revised fiscal note indicating one new staff position will be required for this function. For a two-year period, the revenue for this position will be provided by a settlement from the Nevada Power Company. Staff

recommends approval of this legislation. The Committee is scheduled to hear the closing for this budget tomorrow. Staff recommends the Committee include the revised fiscal note. I received an e-mail from the Budget Division indicating their support for this use of the funding.

SENATOR TITUS MOVED TO DO PASS S.B. 422 SUBJECT TO FUNDING PROVIDED FOR THE ADDITIONAL POSITION WHEN THE BUDGET IS CLOSED.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

We will open the hearing on S.B. 455. The Committee has a copy of proposed Amendment 673 ([Exhibit E](#)). The amendment includes changes and specified language on page 6, section 11, for the Community College of Southern Nevada to address concerns previously expressed by restricting the usage to student service facilities, classrooms and parking.

**SENATE BILL 455**: Increases revenue bonding authority of the Nevada System of Higher Education. (BDR S-273)

MR. GHIGGERI:

There are no other changes. The amendment includes the requested language to permit the delegation of authority by the Board of Regents to the Chancellor and Vice Chancellor of Finance for entering into loans with approval.

SENATOR COFFIN MOVED TO APPROVE AMENDMENT 673 TO S.B. 455.

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS BEERS AND CEGAVSKE VOTED NO.)

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CHAIR RAGGIO:

The Committee heard Assembly Bill (A.B.) 540 on May 11, 2007. This is a supplemental for FY 2006-2007 to cover shortfalls in purchased placement costs. Are any changes needed on this amended bill?

**ASSEMBLY BILL 540 (1st Reprint)**: Makes a supplemental appropriation to the Department of Health and Human Services for expenses relating to foster care. (BDR S-1257)

MR. GHIGGERI:

No, changes are not needed.

SENATOR BEERS MOVED TO DO PASS A.B. 540.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

We will open the hearing on S.B. 301. Ms. Brenda J. Erdoes, Legislative Counsel, has been asked for an opinion on this matter. The bill was heard in the Senate Committee on Government Affairs and has a total appropriation of \$5 million to replenish the Fort Mohave Valley Development Account. The issue is whether or not the State will be liable for the payment made in this matter. The Committee has received a copy of a letter from Ms. Erdoes dated May 11, 2007 ([Exhibit F](#)).

**SENATE BILL 301**: Clarifies the purposes for which money in the Fort Mohave Valley Development Account may be used. (BDR 26-1317)

MR. GHIGGERI:

The Legislative Counsel has opined the Colorado River Commission of Nevada (CRC) did not have the authority to use the money for purposes not related to administering the Fort Mohave Development law. They have also opined that Clark County could bring a lawsuit against the State to recover the money for the Development Account unless the Legislature enacts a law prohibiting such a lawsuit. Finally, they have opined the CRC does not currently have the authority to impose a fee on its electric power customers, but the Legislature could enact a statute giving them authority.

CHAIR RAGGIO:

If the Committee does nothing, the Legal Division has opined the State could have liability in the event Clark County brought a lawsuit against the State to recover the money for the Development Account. The Legal Division has also opined the Legislature could choose to not appropriate the \$5 million and enact legislation prohibiting such a lawsuit. The Legal Division has also opined we could appropriate the money and provide the CRC with the authority to impose a fee on its electric power customers in an amount sufficient to raise the funding necessary to replenish the Development Account. Does the Committee have any comment on the matter?

SENATOR TITUS:

I do not want my constituents to pay for a bad decision made by the CRC in entering into contracts with Enron Corporation for power never received. I support allowing the CRC to impose a fee on their own customers to replenish the Development Account as opposed to having the Legislature appropriate \$5 million.

SENATOR BEERS:

Is it possible to reopen the CRC's budget? I would like to eliminate the annual raise for the Director. There must be some accountability.

MR. GHIGGERI:

The salary for the Director will be reviewed by the Unclassified Salary Subcommittee. This Committee does not need to reopen the budget to facilitate the action you mention.

SENATOR BEERS:

I favor legislation allowing the CRC to pass this expense on to their customers. For the record, it looks like it was not Enron but was Pioneer Companies.

CHAIR RAGGIO:

If we receive a formal opinion, we can include it as well.

SENATOR BEERS MOVED TO REQUEST LEGISLATION ALLOWING THE COLORADO RIVER COMMISSION OF NEVADA TO PASS COSTS TO THEIR CUSTOMERS BY IMPOSING AN INCREASE IN FEES.

SENATOR CEGAVSKE SECONDED THE MOTION.

CHAIR RAGGIO:

Would you recommend the increase in fees be authorized or mandated? We would also need to limit the ability to file a lawsuit against the State in the event Clark County submits a lawsuit.

SENATOR BEERS:

Yes, my motion should do all of that. However, I would rather allow than mandate because the CRC may have money somewhere else they could use to reimburse the Development Account.

MR. GHIGGERI:

I suggest you amend S.B. 301 by removing the \$5 million appropriation. There are some policy issues in S.B. 301 which should be acted upon by the Committee and would basically clarify that the CRC can expend money in the account for only the purposes in the Fort Mohave Valley Development law; add what Senator Beers was indicating, items number 2 and 3 ([Exhibit F](#)) the Legislative Counsel opined on, to prohibit the lawsuit; and to provide authority for the CRC to impose a fee to pay for this cost.

SENATOR BEERS:

Should a time frame be included in the motion?

CHAIR RAGGIO:

The motion should probably include the ability for the Legislative Counsel to make an inquiry to determine an appropriate time frame for the increased fees.

SENATOR BEERS MOVED TO REQUEST AN AMENDMENT TO S.B. 301 TO DELETE THE \$5 MILLION APPROPRIATION; PROHIBIT ANY LAWSUIT ON BEHALF OF CLARK COUNTY AGAINST THE STATE OF NEVADA TO RECOVER THIS AMOUNT; AUTHORIZE THE CRC TO UTILIZE FUNDING FROM THE ACCOUNT FOR THE PURPOSES INDICATED; AND TO AUTHORIZE THE CRC TO INCREASE SERVICE FEES FOR A PERIOD OF TIME TO BE DETERMINED IN CONSULTATION WITH THE LEGISLATIVE COUNSEL TO PROVIDE FUNDS NECESSARY TO REPLENISH THE FORT MOHAVE VALLEY DEVELOPMENT ACCOUNT.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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SENATOR MATHEWS:

I received a memorandum from the Department of Motor Vehicles (DMV) dated May 10, 2007, regarding the number of days the kiosks were unavailable ([Exhibit G](#)). I know these numbers are incorrect and I am offended by this memorandum.

CHAIR RAGGIO:

I will read a portion of this memorandum into the record.

The Department's contract with the current vendor pays the vendor based upon successful transactions. There is no minimum or monthly payment to the vendor. The contract was written in this manner to encourage the vendor to provide a good product. When the Kiosks do not work, the vendor does not earn any compensation. As can be seen by the statistics provided, the vendor has not provided the State with as reliable a product as we would have liked. As a result of this issue and others, we have gone forward with a new RFP process beginning last month.

At the present time, we are averaging over 5,000 customer transactions per week through the Kiosk process. We have literally been able to not hire additional Techs because of the use of Kiosks.

Senator Mathews is referring to page 2 of [Exhibit G](#) and has a particular problem with the results referring to the Reno Express and the Reno Galletti offices.

SENATOR MATHEWS:

The zeros indicated for the Reno Express are wrong. In essence, this report says I am wrong.

CHAIR RAGGIO:

Staff will have the DMV contact Senator Mathews regarding this memorandum.

The Committee will hear S.B. 229.

**SENATE BILL 229 (1st Reprint)**: Provides for the registration and regulation of warrantors of vehicle protection products and related sellers and warranty administrators of such products. (BDR 57-1137)

DAN R. REASER (National Vehicle Protection Association):

The National Vehicle Protection Association is a proponent of S.B. 229. The Senate Committee on Commerce and Labor voted on March 13, 2007, to amend and do pass this bill.

CHAIR RAGGIO:

That Committee heard the policy issues. Please relate to this Committee what the bill does and address the fiscal note.

MR. REASER:

The Committee has received a copy of "Senate Bill 229 Legislative Summary" ([Exhibit H](#)). This bill provides a regulatory scheme for the Division of Insurance similar to what has been adopted in 12 other states and is being considered in

5 or 6 other states. It is a registration program for vehicle protection products. For example, when you purchase a window etching on your car for theft purposes, you will receive a warranty. That warranty, the Office of the Attorney General (AG) has opined, I believe incorrectly, is the business of property and casualty insurance and accordingly is to be fully regulated as property and casualty insurance.

We met with the Commissioner of the Division of Insurance last summer and agreed we should advance this piece of legislation because regulating a \$200 product as property and casualty insurance will mean the product will not be sold or will be sold at a high price. Vehicle protection is an important product in Nevada which has 2.5 times the national average of vehicle thefts. The use of these products in other states has shown, statistically, to reduce car theft 30 to 40 percent. The bill was originally introduced with a \$250 registration and renewal fee. We have agreed to increase the fee to \$1,000 as indicated in this first reprint. This amount is the same as a comparable statutory scheme for service contracts, such as a washer or dryer service contract. Those contracts are also registered with the Division of Insurance for a \$1,000 fee. Deputy Commissioner Sally P. Elloyan, Division of Insurance, has amended the original fiscal note. With the increase in fees for the 30 annual registrations, this program should cover its costs.

CHAIR RAGGIO:

How did you determine the number of annual registrations?

MR. REASER:

The Division of Insurance estimated 30 registrations based upon the number of companies in the market.

CHAIR RAGGIO:

Is this the registration fee for each company providing this service? Is it estimated there are 30 companies which would register under this proposal?

MR. REASER:

That is correct. There are both independent operators and car dealers providing this service through affiliates. This is a problem for property insurance because every car dealers' employee salesman would have to be a registered insurance broker if the insurance is regulated.

CHAIR RAGGIO:

A memorandum dated May 9, 2007, from Ms. Sally P. Elloyan, indicates they project 30 warrantors of vehicle-protection products. According to this memorandum, the annual registrations will cover the cost of the program. How many companies are members of your association?

MR. REASER:

There are 14 national companies.

CHAIR RAGGIO:

Do these companies support this registration fee?

MR. REASER:

Yes, they do. We have also met with the Nevada Automobile Dealers Association who also supports this legislation.



SENATOR BEERS:

If this was precipitated by another wrong AG's opinion, why not clarify in the law that these companies are not subject to regulation?

MR. REASER:

We believe it is appropriate to have some regulatory oversight of this product.

SENATOR BEERS:

Are all 30 companies affected by this legislation paying members of your association?

MR. REASER:

No, they are not. There are some members of the Automobile Dealers Association who provide this product. There are people not in the Association who may not be tracking the legislation in Nevada but are aware this is a type of statute being adopted by many states to clarify this is not an insurance product, but is going to be registered. There is an important regulatory purpose for consumers. You do not want people providing this product who are not funding a reserve account for claims on the warranties which is what this regulatory scheme accomplishes. This legislation ensures warrantors have financial responsibility and a funding mechanism in place to pay warranties over time. Our association believes it is appropriate to provide a regulatory scheme. It is not appropriate to regulate it as though it is home insurance or some other type of property and casualty insurance.

SENATOR BEERS:

Not all of the people who sell these products are members of the association you represent; presumably there are some who do not approve of paying the new fee.

MR. REASER:

I represent many different kinds of regulated businesses in this State. If the option is to be regulated as a property and casualty insurer with the attendant costs, which could be \$40,000 to \$100,000 annually, or to have a \$1,000 annual fee, I can guarantee you those not at the table will take the \$1,000 fee. To be regulated as property and casualty insurance will regulate this product and its warranty out of the marketplace in Nevada. The Committee can have confidence because this legislation has been adopted in 16 other states and has potential for adoption in a number of other states.

SENATOR BEERS:

I cannot support the new fees or the \$50 million stockholders equity requirement for the participating companies.

MR. REASER:

That issue has been resolved in the reprint. The stockholders equity is one method. We also provided, in Amendment 42 which is part of the first reprint, a mechanism to allow smaller providers on the basis of reserve accounts and deposits approved on a case-by-case basis by the Commissioner.

SENATOR COFFIN:

Where is that located in the bill?

SENATOR BEERS:

On page 3, line 5, the sentence ends with "or" and starting on line 6 the warrantor maintains a reserve account that includes at least 40 percent of the proceeds received by the company for unexpired warranties, less claims, and deposits a security with the Commissioner equal to \$25,000 or 5 percent of the gross consideration received by the warrantor.

MR. REASER:

That is correct. That is nearly identical to the service contract provision security requirements.

SENATOR COFFIN:

Is there a limit to what is charged? The sale of one of these devices may offer an opportunity to purchase insurance. Do people buy a policy in addition to the product warranty?

MR. REASER:

The vehicle-protection product warranty is the only insurance purchased. I personally paid \$150 for etching placed on my vehicle and the warranty. The warranty covers out-of-pocket costs which are not covered by my property insurance.

SENATOR COFFIN:

The Vehicle Protection Product Act requires the warranty be secondary to any existing insurance. What if a person is uninsured? Is the warranty invalidated?

MR. REASER:

I think the warranty form used in Nevada requires proof of insurance at the time of insurance. Theoretically, the individual could be uninsured.

SENATOR COFFIN:

Does this bill contain any language invalidating payment under the warranty if a person does not have automobile insurance?

MR. REASER:

That could happen depending upon the warranty language which is different from company to company.

SENATOR COFFIN:

We have made it difficult for people to purchase insurance; it is expensive. If they purchase a warranty, they may believe they have some coverage.

MR. REASER:

The warranty does not take the place of automobile insurance. This is in case of automobile theft. It handles, up to the dollar limitation, the out-of-pocket costs.

SENATOR CEGAVSKE:

What is the genesis of this legislation? I do not understand the need for this bill.

CHAIR RAGGIO:

This bill was heard in the Senate Committee on Commerce and Labor. I assume they went through all the policy issues.

MR. REASER:

This is being done across the country. We became involved after the AG issued an opinion stating the warranty portion of this product is the business of the sale of property and casualty insurance. Believing this is not appropriate, we offered to bring forth this legislation.

SENATOR CEGAVSKE:

What brought this topic to the attention of the AG?

MR. REASER:

I do not know why the AG became involved; possibly the Insurance Commissioner made an inquiry.

SENATOR TITUS:

Is the person purchasing the product required to do additional paperwork or pay additional costs due to this legislation?

MR. REASER:

If a consumer elects to purchase a protection product, there is no additional paperwork unless a claim is filed. If this bill is not passed, the price of this type of product will either go up or become unavailable because the Division of Insurance will have to regulate this as property and casualty insurance.

SENATOR COFFIN:

The Committee's fiscal impact questions have been answered. The Senate Committee on Commerce and Labor is shorthanded due to the majority/minority distribution. All of the questions cannot be asked because the Committee is overwhelmed and no one has insurance experience.

CHAIR RAGGIO:

There being no further testimony on S.B. 229, the hearing is closed. The Committee will hear S.B. 380. The Committee needs to understand the bill and its fiscal impact.

**[SENATE BILL 380 \(1st Reprint\)](#)**: Makes various changes concerning defendants in criminal actions. (BDR 14-279)

R. BEN GRAHAM (Nevada District Attorneys Association):

The Committee has received a copy of a memorandum dated May 3, 2007, from Christopher J. Lalli, Office of the District Attorney, Clark County, ([Exhibit I](#)) regarding an amendment to S.B. 380.

CHAIR RAGGIO:

Is this an additional amendment to S.B. 380? Was the amendment heard by the Senate Committee on Judiciary?

MR. GRAHAM:

This is an amendment to S.B. 380, first reprint. The concept was heard and understood by the Senate Committee on Judiciary. The language in the amendment ([Exhibit I](#)) would be substituted for the current language in S.B. 380 in its entirety. Senate Bill 380 currently contains all of the material dealing with "not guilty by reason of insanity" and "guilty but mentally ill." Those portions are all contained in pending Assembly legislation. There are three portions: "insanity," "guilty but mentally ill" and "competency." Competency will remain

in S.B. 380 which was the understanding when this matter was heard in the Senate Committee on Judiciary. Competency differs between "guilty but mentally ill" and "insanity". Competency deals with people who are temporarily incompetent and unable to go to trial, or people who are incompetent and may never be restored to competency. The type of people we are addressing in this amendment, are those who are not competent and can never go to trial, are for example: a woman who stomped her baby to death, the ability to maintain contact and treatment for this woman is extremely limited; a woman involved in an automobile accident twice ran over the man who got out of his car, she is not competent; a woman who feels she owns a certain house, which she does not own but keeps breaking into it, the last time beating the home owner with a crowbar. We are probably talking about a maximum of four or five people annually affected by this bill. We have people who will gain competency. There is no ability to maintain a program for these people to provide medication or whatever is needed under the circumstance. To establish this program, the Division of Mental Health and Developmental Services of the Department of Health and Human Service requires an employee at the Lake's Crossing Center and one in the south to track these people.

CHAIR RAGGIO:

Why is this being addressed in this Committee rather than the Senate Committee on Judiciary?

MR. GRAHAM:

The intent is to have this issue stand alone due to the fiscal note.

CHAIR RAGGIO:

What is the cost? Is there a new fiscal note.

MR. GRAHAM:

The fiscal note is less than \$200,000.

MR. GHIGGERI:

There will be a new position required at the Lake's Crossing Center in the north and one at Southern Nevada Adult Mental Health Services in the south. Staff will need to find out what types of positions are required. If you want to consider this bill, we need to get the cost of those positions and the operating costs. Those budgets have been closed in Subcommittee. They will come to the full committee this week. I would be hesitant to open those budgets. If this legislation is going to pass, I suggest any costs associated with implementation be placed in the bill.

CHAIR RAGGIO:

We must have the fiscal note for this proposed amendment as soon as possible.

SENATOR COFFIN:

My assessment is the judges and prosecutors believe this is a critical issue, but the other parts of S.B. 380 are controversial, so the amendment eliminates them. Is that correct?

MR. GRAHAM:

That is accurate.

CHAIR RAGGIO:

The Committee needs the proposed amendment in draft format and a fiscal note. There being no further testimony on this matter, the Committee will close the hearing on S.B. 380 and open the hearing on S.B. 562. I am distributing a letter written to the Chair dated May 1, 2007, from the Western Folklife Center ([Exhibit J](#)).

**SENATE BILL 562**: Transfers money from the Fund for the Promotion of Tourism to the Western Folklife Center for the National Cowboy Poetry Gathering. (BDR S-1451)

SENATOR RHOADS:

About 30 years ago, before the National Cowboy Poetry Gathering first started, I told the organizers it would never work. Now, it is the biggest event in Elko. I support this bill.

CHAIR RAGGIO:

Does staff recall the amount of the last appropriation?

MR. GHIGGERI:

The group received \$200,000 in room-tax funds in S.B. No. 314 of the 73rd Legislative Session. We have received an accounting of the expenditures through December 31, 2006, attached to a letter from the Western Folklife Center to Mindy Martini dated December 6, 2007 ([Exhibit K](#)).

MICHAEL FISCHER (Director, Department of Cultural Affairs):

This request is not included in the *Executive Budget*. As a result, the Department is neutral on S.B. 562. The Department, through grants, often funds the Western Folklife Center. Nevada Humanities, Nevada Arts Council and the Commission for Cultural Affairs have all had expenditures related to this organization so I thought it pertinent to bring some facts to the Committee. The organization is successful on an artistic basis but is not financially stable.

Tourism funding is about putting heads in beds and raising the awareness. The Western Folklife Center and the Elko Cowboy Poetry Gathering fit the job description. The Western Folklife Center has taken Nevada's message to Mongolia, France, Chile, Argentina, British Columbia, Newfoundland, Scotland, Ireland, Australia and every state in the Union. It has done a great job in an economic sense for Elko. January was one of the deadest times of the year until this event occurred. Your funding makes a significant difference as does ours. I appear today to thank you for your consideration and to make sure you understand the importance of the funding.

CHAIR RAGGIO:

This is the leading western arts festival.

SENATOR TITUS:

I chaired the Nevada Humanities Committee the year this event was first funded. I remember Senator Rhoads' comment that it would never work! I am happy to support the event. There is also a similar bill to support the Atomic Testing Museum in southern Nevada. Atomic testing and the Nevada Test Site are every bit as important to Nevada as the cowboy folklife festival.

CHAIR RAGGIO:

We will close the hearing on S.B. 562. I will now turn the meeting over to Senator Beers.

VICE CHAIR BEERS:

The Committee will hear the budget for the Office of the Treasurer beginning with budget account (B/A) 101-1080.

## ELECTED OFFICIALS

State Treasurer – Budget Page ELECTED-123 (Volume I)  
Budget Account 101-1080

JEFFREY A. FERGUSON (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Committee has received a copy of "Closing List #6-A, State Treasurer" ([Exhibit L](#), original is on file in the Research Library). The closing details for B/A 101-1080, State Treasurer, are on pages 2 through 5 of [Exhibit L](#). Staff worked with the Office of the Treasurer (OT) and the Budget Division to re-project check distribution costs. The revised costs result in General Fund savings of \$27,048 in FY 2007-2008 and \$22,061 in FY 2008-2009.

Staff worked with the Budget Division and the OT to correct funding errors in decision unit M-300 resulting in a General Fund savings of \$9,209 in FY 2007-2008 and \$13,804 in FY 2008-2009.

### M-300 Fringe Benefit Rate Adjustments – Page ELECTED-125

The Governor recommended \$4,574 over the biennium in decision unit E-250 for travel and training to allow the senior deputy treasurer in Las Vegas to attend the National Association of Treasurers (NAST) meeting in FY 2007-2008 and for the management analyst III to meet with the state of Tennessee in FY 2007-2008 and the state of Texas in FY 2008-2009. Those recommendations, funded with pooled collateral assessments, appear to be reasonable.

### E-250 Working Environment and Wage – Page ELECTED-126

Decision unit E-251 recommends travel and training costs of \$4,468 in each year of the biennium to allow the management analyst responsible for debt management to attend the NAST annual conference and the Government Finance Officers Association conference. Based upon the information provided, this recommendation appears reasonable.

### E-251 Working Environment and Wage – Page ELECTED-126

Decision unit E-252 recommends General Funds of \$6,422 in FY 2007-2008 and \$7,407 in FY 2008-2009 for additional out-of-state travel to allow the treasurer, chief of staff and senior deputy treasurer in Las Vegas to attend the NAST conference and receive training. There is a list of recommended travel and training on page 4 of [Exhibit L](#). The previous Treasurer was past-president of NAST and did not have to pay to attend the conferences. Therefore, the cost is not in the Base Budget. Based upon the information provided by the OT, this recommendation appears reasonable.

E-252 Working Environment and Wage – Page ELECTED-126

The Governor recommends a total of \$24,789 in FY 2007-2008 and \$22,938 in FY 2008-2009 for replacement equipment. In decision unit E-714, the Governor originally recommended \$4,696 in FY 2008-2009 to replace the OT's pressure seal unit which is used to fold and seal accounts payable checks, payroll advices and checks and direct deposit advices. The OT has indicated it would like to purchase a larger capacity pressure sealer to cost \$7,885 in FY 2007-2008 instead of FY 2008-2009. The OT provided staff with information indicating upgrading the pressure sealer to a faster model with more capacity has merit. The recommendations for replacement equipment are in accordance with the Department of Information Technology's (DoIT) replacement schedule and appear reasonable.

E-714 Replacement Equipment – Page ELECTED-128

The Governor has recommended a total of \$36,347 in FY 2007-2008 and \$5,402 in FY 2008-2009 for new equipment, primarily software. The OT submitted a revised request for decision unit E-721 for backup software. The revised request is \$1,181 less than the original recommendation. This change is reflected in the closing sheets. The new equipment and software request appears reasonable to staff.

E-721 New Equipment – Page ELECTED-129

In decision unit E-813, General Fund salary adjustment funds of \$37,319 in FY 2007-2008 and \$38,437 in FY 2008-2009 are recommended to provide the one-step salary adjustment for unclassified employees. Staff worked with the OT and the Budget Division to correct a small error which provides a General Fund savings of \$2,612 in FY 2007-2008 and \$2,691 in FY 2008-2009.

E-813 Unclassified Step Adjustments – Page ELECTED-130

Staff requests authority to make technical adjustments for potential changes in assessments for DoIT, the AG, the Statewide Cost Allocation Plan and changes in computer and data processing software and equipment.

SENATOR CEGAVSKE MOVED TO APPROVE B/A 101-1080 WITH THE ADJUSTMENTS RECOMMENDED BY STAFF; TO APPROVE THE TRAVEL AND TRAINING AMOUNTS NOT INCLUDED IN THE BASE BUDGETS; TO APPROVE GOVERNOR RECOMMENDED AMOUNTS IN E-250, E-251, E-252, E-710, E-712, E-713; INCREASE E-714 BY \$3,189 AND MOVE THE PURCHASE TO FY 2008-2009; AND GIVE STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS. THE AMOUNTS RECOMMENDED IN E-813 WILL BE REVIEWED BY THE UNCLASSIFIED SALARY SUBCOMMITTEE AND ARE NOT INCLUDED IN THIS MOTION.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

\* \* \* \* \*

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May 14, 2007  
Page 16

VICE CHAIR BEERS:

The next budget is B/A 603-1081.

Treasurer Higher Education Tuition Administration – Budget Page ELECTED-133  
(Volume I)  
Budget Account 603-1081

MR. FERGUSON:

The closing details for Higher Education Tuition Administration, B/A 603-1081, are on pages 6 and 7 of [Exhibit L](#). During the budget hearing, there was some discussion on the actuarial study. The OT testified the tuition increase passed by the Board of Regents has been absorbed by the program. The program is currently healthy and does not require changes.

In the *Executive Budget*, the Governor recommends General Fund payback amounts of \$225,000 in FY 2007-2008 and \$275,000 in FY 2008-2009. The funds recommended for payback are transferred to this budget from the Nevada College Savings Trust budget, B/A 101-1092. Staff recommends accelerating the General Fund payback through increased transfers from the Nevada College Savings Trust. Accordingly, staff will make the necessary changes to this budget account to accept larger transfers for repayment based upon the Committee's closing action in the Nevada College Savings Trust account.

Staff has reviewed the amounts requested for replacement equipment. The request appears reasonable.

SENATOR CEGAVSKE MOVED TO CLOSE B/A 603-1081 AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS BY STAFF.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

\* \* \* \* \*

VICE CHAIR BEERS:

The Committee will hear B/A 261-1088.

Millennium Scholarship Administration – Budget Page ELECTED-138 (Volume I)  
Budget Account 261-1088

MR. FERGUSON:

The closing details for B/A 261-1088, Millennium Scholarship Administration, appear on pages 8 through 11 of [Exhibit L](#). In decision unit E-807, the Governor recommended an increase in transfers from the Millennium Scholarship Trust Fund of \$8,965 over the biennium to upgrade the existing administrative assistant II position to an administrative assistant III. The OT has requested the withdrawal of this decision unit as reflected on page 8 of [Exhibit L](#).

E-807 Position Upgrades – Page ELECTED-141

Staff has worked with the Budget Division and the OT. Given the current state of affairs, with no changes to the Millennium Scholarship program, it should be



solvent until FY 2016-2017. However, S.B. 469 would increase transfers from the Unclaimed Property Trust Fund to the Millennium Scholarship Trust Fund by \$2.8 million annually. If that bill is approved, the Millennium Scholarship Trust Fund would extend to FY 2021-2022.

SENATE BILL 469: Increases the amount of the annual transfer of money from the Abandoned Property Trust Fund to the Millennium Scholarship Trust Fund. (BDR 10-1415)

Decision unit E-710 requests replacement equipment in the amount of \$5,562 over the biennium. This request appears reasonable.

E-710 Replacement Equipment – Page ELECTED-140

Staff recommends closing this budget as recommended by the Governor with the removal of decision unit E-807 as requested and technical adjustments as recommended by staff.

SENATOR CEGAVSKE MOVED TO CLOSE B/A 261-1088 AS RECOMMENDED BY THE GOVERNOR WITH THE REMOVAL OF DECISION UNIT E-807 AND TECHNICAL ADJUSTMENTS AS RECOMMENDED BY STAFF.

SENATOR TITUS SECONDED THE MOTION.

VICE CHAIR BEERS:

Is there a General Fund contribution to this account during the 2007-2009 biennium?

MR. FERGUSON:

No, there is not. The transfer from Unclaimed Property would normally go to the General Fund but does not affect this budget.

VICE CHAIR BEERS:

State Treasurer Kate Marshall appeared to be happy about something related to the tobacco settlement proceeds.

MR. FERGUSON:

There was some concern the tobacco revenues would be lower than anticipated. The revenues came in 7.5 percent lower than the projections made years ago. We were worried they might be 18 percent lower.

THE MOTION CARRIED UNANIMOUSLY.

\* \* \* \* \*

CHAIR RAGGIO:

The Committee will hear B/A 101-3815. Please indicate the Chair's vote approving the previous budget closings.

Unclaimed Property – Budget Page ELECTED-144 (Volume I)  
Budget Account 101-3815

MR. FERGUSON:

The closing details for B/A 101-3815, Unclaimed Property, appear on pages 12 through 15 of [Exhibit L](#). The Governor recommended a \$2.8 million transfer from this budget account to the Millennium Scholarship Trust Fund in S.B. 469. The Governor also recommended \$5 million each year be transferred for economic development initiatives. However, as part of the Governor's budget reductions, this request has been removed.

The Governor recommends a new position and related costs totaling \$108,652 in decision unit E-250. The OT testified a program officer II position would be key in the OT's efforts to aggressively return unclaimed property to claimants and to better educate the community about the requirements to turn over unclaimed property to the State. The OT indicated there is no current single position responsible for these tasks. Based upon the information provided by the OT, this recommendation appears reasonable.

#### E-250 Working Environment and Wage – Page ELECTED-146

The Governor recommends unclaimed property receipts of \$101,677 over the biennium to finance a new program officer I position and related costs. During the budget hearing, the OT requested a change from a program officer I to an administrative assistant II thereby reducing the funding \$17,245 over the biennium. The closing sheets reflect this adjustment. The OT testified this position will provide additional clerical assistance to address the increasing number of properties tracked and unclaimed property reports received and to help administer the increasing number of properties available to be claimed. If this request is not approved, the OT will not be able to meet its goal of review and approval of claims within a two-week period. Based upon the information provided by the OT, this request appears reasonable.

In decision unit E-805, the Governor originally recommended upgrading an administrative assistant III position; however, the OT has withdrawn this request. The closing sheets reflect this adjustment.

#### E-805 Classified Position Reclassifications – Page ELECTED-150

Decision unit E-276 recommends unclaimed property receipts of \$18,000 in FY 2007-2008 and \$18,900 in FY 2008-2009 to purchase Xcitek, an online service which tracks the history of a stock to help determine its value. The OT used Xcitek on a free ten-month trial basis in FY 2005-2006. During that time, using Xcitek, they accessed 1,894 records and paid approximately 248 claims involving over 1,730 properties. This program is utilized by 16 other states and was developed in conjunction with the state of New York's unclaimed property area. Based upon the information provided, this recommendation appears reasonable.

#### E-276 Maximize Internet and Technology – Page ELECTED-148

In decision unit E-252, the Governor recommends unclaimed property receipts of \$5,160 in each year of the biennium to allow the senior deputy treasurer and deputy treasurer for unclaimed property to attend the NAST annual conference. Both of those positions were unable to attend the conference during the base year.

E-252 Working Environment and Wage – Page ELECTED-147

Replacement and new equipment requests have been reviewed by staff and appear to be reasonable.

SENATOR BEERS MOVED TO APPROVE B/A 101-3815 AS RECOMMENDED BY THE GOVERNOR INCLUDING THE \$5 MILLION REDUCTION; TO REMOVE DECISION UNIT E-805 AS REQUESTED BY THE OFFICE OF THE TREASURER; AND TO GIVE STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS FOR REVISED DOIT RATES AND COMPUTER HARDWARE AND SOFTWARE PRICING AND POTENTIAL CHANGES IN ASSESSMENTS.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

\* \* \* \* \*

CHAIR RAGGIO:

The Committee will hear B/A 101-1092.

Nevada College Savings Trust – Budget Page ELECTED-153 (Volume I)  
Budget Account 101-1092

MR. FERGUSON:

The closing details for B/A 101-1092, Nevada College Savings Trust, are on pages 16 through 18 of [Exhibit L](#). This budget has not been reviewed by this Committee. The *Executive Budget* recommends increasing the Base Budget for Contract Service Charge revenues from \$269,479 in FY 2005-2006 to \$2.03 million in FY 2007-2008 and \$2.05 million in FY 2008-2009. As a result, the base reserves in this account are recommended to increase from \$656,427 in the work program year (FY 2006-2007) to \$2.25 million in FY 2007-2008 and \$3.82 million in FY 2008-2009. The Contract Service Charge revenue increase is due to a recent amendment to the 30-year contract with Upromise Investments, Inc. which provides program management services for the State's college savings plans. The amendment, approved December 28, 2006, replaced the previous asset-based fee structure with an annual fixed fee of \$1.5 million plus consumer-price-index increases. Prior to the amendment, Contract Service Charge revenues received in this budget account were expected to be approximately \$450,000 annually.

The OT was unable to provide a detailed answer about the rationale for the renegotiated contract since the change occurred during the previous Treasurer's administration. As the Committee may be aware, to gain a better understanding of the Nevada College Savings Trust budget, including its associated contracts, revenues and expenditures, the Legislature requested the Legislative Counsel Bureau's (LCB) Audit Division to conduct an audit of the program. The Audit Division indicated to staff the audit results will be released approximately the last week of May 2007. Accordingly, fiscal staff is unable to comment on the appropriateness of the contracts or amendments and associated revenues and expenditures associated with the Nevada College Savings Trust program. The

OT indicates the contract amendment will not affect Nevada College Savings Trust participants' future withdrawals or tuition payments.

As a result of the increased Contract Service Charge revenue and other maintenance and enhancement items recommend by the Governor, the reserve balance is recommended to increase from \$656,427 in FY 2006-2007 to \$3.82 million in FY 2008-2009. It is staff's opinion the reserve balances, as represented in the *Executive Budget*, are supported by the recent amendment to the Upromise contract. Accordingly, fiscal staff has worked with the OT to determine an appropriate reserve level to be maintained in this budget, as well as the best course of action for the reserves in excess of the appropriate reserve level. Fiscal staff and the OT agree the appropriate level of reserves in this budget should be seven months of budgeted expenditures because revenues from the Upromise contract are typically received sometime in January of each year, or approximately seven months after a fiscal year begins. Based on the recommended expenditures in this account, reserve should be approximately \$280,000 at the end of FY 2007-2008 and \$310,000 at the end of FY 2008-2009. The Fiscal Analysis Division and the OT are in agreement reserves in excess of the minimum reserve should be utilized to accelerate General Fund payback of the prepaid tuition program loans during the 2007-2009 biennium. Details of this proposal are on page 17 of [Exhibit L](#). Staff, the OT and the Budget Division are in agreement the revenues and expenditures in this budget account are accurately represented. The budget can be closed prior to the issuance of the LCB audit of the program. The Governor and the OT will recommend to the 2009 Legislature how any additional contract revenues should be utilized for the 2009-2011 biennium and beyond.

In adjusted base, the *Executive Budget* recommends transfers to the Higher Education Tuition Administration budget, B/A 603-1081, totaling \$225,000 in FY 2007-2008 and \$275,000 in FY 2008-2009 to assist with the General Fund payback of prepaid tuition program loans. However, this account contains a substantial reserve which should be used to accelerate the General Fund payback during the 2007-2009 biennium. Staff recommends increasing transfers to B/A 603-1081 to repay the General Fund loan from \$225,000 to \$2,188,014 in FY 2007-2008 and from \$275,000 to \$1,160,576 in FY 2008-2009. This recommendation would fully repay the remaining General Fund loan balance of \$3,348,590 by the end of the 2007-2009 biennium.

CHAIR RAGGIO:

Are there adequate funds to do this and still maintain the suggested reserves?

MR. FERGUSON:

That is correct. The reserve at the end of FY 2008-2009 would be \$939,515.

CHAIR RAGGIO:

Without this change, the General Fund would not be repaid until 2013. The original repayment was to take approximately ten years.

MR. FERGUSON:

That is correct.

It is staff's opinion the reserve should not be reduced further because there is a level of uncertainty about whether revenues will come in as anticipated. The OT has indicated it may have obligations not included in the *Executive Budget*

requiring repayment during the 2007-2009 biennium. All unused reserves at the end of FY 2008-2009 will balance forward to the 2009-2011 biennium where they could be used for purposes to be determined by the 2009 Legislature.

The replacement equipment request appears to be reasonable.

SENATOR BEERS:

Have your recommendations been discussed with the OT?

MR. FERGUSON:

Yes, they have. The OT agrees with these recommendations.

SENATOR BEERS:

Will interest revenue need to be reduced?

MR. GHIGGERI:

The interest income received in this account during FY 2005-2006 was \$26,163. That interest was earned on resources of approximately the same amount which will be in this account after the transfers take place. The interest income recommended by the Governor for FY 2008-2009 is \$29,546. It does not appear a material adjustment would be required.

SENATOR BEERS MOVED TO CLOSE B/A 101-1092 AS RECOMMENDED BY THE GOVERNOR WITH THE GENERAL FUND PAYBACK AS RECOMMENDED BY STAFF; INCREASE CONTRACT REVENUES AND RESERVES AS RECOMMENDED BY STAFF; AND TO GIVE STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR TITUS:

There were problems with this budget and we have asked for an audit. I do not think this budget should be closed before seeing the audit results.

CHAIR RAGGIO:

It is my understanding the audit will not change this budget.

THE MOTION CARRIED. (SENATOR TITUS VOTED NO.)

\* \* \* \* \*

SENATOR COFFIN:

What was the time period for the audit?

RENEE PARKER (Chief of Staff, Office of the State Treasurer):

The scope of the audit covers FY 2000-2001 through December 31, 2006.

CHAIR RAGGIO:

The next budget is B/A 745-1086.

MR. FERGUSON:

The closing details for B/A 745-1086, Municipal Bond Bank Revenue, appear on page 19 of [Exhibit L](#). There are no closing issues for this account. Staff recommends closing this budget as recommended by the Governor.

SENATOR CEGAVSKE MOVED TO CLOSE B/A 745-1086 AS RECOMMENDED BY THE GOVERNOR.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee will hear B/A 395-1087.

Municipal Bond Bank Debt Service – Budget Page ELECTED-164 (Volume I)  
Budget Account 395-1087

MR. FERGUSON:

The closing details for B/A 395-1087, Municipal Bond Bank Debt Service, appear on page 20 of [Exhibit L](#). There are no closing issues for this account. Staff recommends closing this budget as recommended by the Governor.

SENATOR CEGAVSKE MOVED TO CLOSE B/A 395-1087 AS RECOMMENDED BY THE GOVERNOR.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee will hear the Joint Subcommittee on General Government Closing Report for the Department of Personnel.

JOI DAVIS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Department of Personnel's budget is funded through a payroll and a personnel assessment charged as a percent of gross salaries for approved positions. The Governor's recommended budget includes a personnel assessment rate of 0.95 percent in FY 2007-2008 and 0.89 percent in FY 2008-2009, and a payroll assessment rate of 0.32 percent in FY 2007-2008 and 0.29 percent in FY 2008-2009. With the exception of the payroll assessment for FY 2007-2008 being 0.01 percent higher, these rates are reduced from the rates in the current biennium.

The Subcommittee recommended concurring with the Governor's recommendation to implement two enhancements to the Nevada Employee Action Timekeeping System (NEATS). The first enhancement is phase II of the State Applicant Tracking System at a cost of \$482,302 over the biennium. The 2005 Legislature funded phase I of the project, which allows applicants to view

and apply for State jobs online. Phase I was completed in September 2006. Phase II would finalize the project by adapting the existing process of test development, ranking and certification and determining the eligibility of applicants to an online process. The second enhancement is a development module for the online registration for training classes and for consolidating the schedule of meeting facilities through a master calendar system at a cost of \$97,475 in FY 2007-2008.

The Subcommittee recommended revising the Governor's recommendation for the UNIX server project proposing to consolidate all Integrated Financial Services (IFS) functions from 16 servers to 2 super servers, by eliminating the Office of the Controller as a project participant. The costs of the project have been revised and reallocated among the remaining core IFS users: Nevada Department of Transportation, the Budget and Planning Division and the Department of Personnel. The *Executive Budget* includes funding for the project of \$297,832 in FY 2007-2008 and \$313,154 in FY 2008-2009. The reallocation of UNIX costs result in an increase to this budget of \$141,599 in FY 2007-2008 and \$156,215 in FY 2008-2009, paid through personnel and payroll assessments.

The Subcommittee did not recommend approval of the recommended addition of one mental health counselor II position for the Employee Assistance Program for services in Elko and Ely due to the undetermined need of these services in this region. However, recognizing that only two counselors serve approximately 16,000 employees throughout the State, the Subcommittee recommended approval of \$25,086 in each year of the upcoming biennium in contract authority to provide these services to employees in Elko and Ely and to help determine the actual need of these services in this region for future biennia.

The Subcommittee recommending reducing the Governor's recommendation for an additional full-time compliance investigator II position for the Sexual Harassment and Discrimination Unit in Las Vegas to a half-time position recognizing that although the caseload data did not justify a full-time position, a half-time position would assist the Department in completing investigations in a more timely fashion.

The Subcommittee recommended concurring with the Governor's recommendation to transfer a PC/LAN technician from the DoIT to the Department of Personnel.

The Subcommittee recommended concurring with the Governor's recommendation to allow Personnel staff and Department representatives to attend career fairs at 13 universities in the western states to expand recruitment efforts for hard-to-recruit positions such as nurses and social workers at a cost of \$16,953 in each year of the upcoming biennium.

The Subcommittee recommended approval of the expansion of the Certified Public Managers (CPM) program by funding 100 participants to become certified in supervisory management by attending the first three levels of the six-level program, by adding six participants to the existing CPM program and by adding an advanced writing program to the CPM program. The total cost for the expansion of the CPM program is \$170,012 over the 2007-2009 biennium.

CHAIR RAGGIO:  
What are CPMs?

Ms. DAVIS:  
The CPM program was implemented by the 2003 Legislature. Agencies send staff through the 18-month program which has 6 different levels. At the end of the program, the participants are certified in management techniques.

CHAIR RAGGIO:  
Are these people already employed by the State?

Ms. DAVIS:  
That is correct.

The *Executive Budget* included a recommendation for preemployment drug testing of all State employees at a cost of \$48,402 in FY 2007-2008 and \$96,804 in FY 2008-2009. However, the Governor proposed a budget amendment which eliminated the funding and expenditures for preemployment drug testing of all new State employees and the Subcommittee recommended approval of that budget amendment.

CHAIR RAGGIO:  
Why did the Subcommittee feel the testing was not important?

Ms. DAVIS:  
The Governor proposed an amendment to eliminate the funding.

SENATOR BEERS:  
The Subcommittee did not think it was important to have universal preemployment drug testing. Few businesses engage in universal preemployment drug testing. It is expensive.

Ms. DAVIS:  
The Subcommittee recommended concurring with the Governor's recommendation to equip 2 training and testing rooms with 30 computers each for a total of 60 computers. The Subcommittee recommended approving the decrease of \$32,980 in FY 2008-2009 for the elimination of 20 desktop computers and 15 monitors since the Department of Administration is donating 40 computers and the Department of Personnel could use 20 desktop computers from equipment scheduled to be replaced to reach the 60 desktop computers needed for the training and testing rooms.

The Subcommittee also recommended approval of the Unemployment Compensation budget as recommended by the Governor.

CHAIR RAGGIO:  
Is that a uniform assessment? Does it remain as it was during the last biennium?

Ms. DAVIS:  
That is correct.



SENATOR BEERS MOVED TO ACCEPT THE REPORT OF THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT FOR THE DEPARTMENT OF PERSONNEL BUDGET AND TO CLOSE THE BUDGET ACCORDINGLY.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee will hear the Joint Subcommittee on General Government Closing Report for the Department of Taxation.

## FINANCE AND ADMINISTRATION

### TAXATION

Department of Taxation – Budget Page TAXATION-1 (Volume I)  
Budget Account 101-2361

JULIE DIGGINS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Joint Subcommittee on General Government has completed its review of the Department of Taxation's budget for the 2007-2009 biennium. The Subcommittee's recommendations result in net General Fund savings of \$1,162,617 with additional General Fund costs of \$115,007 in FY 2007-2008 and General Fund savings of \$1,277,624 in FY 2008-2009 when compared to the Governor's original recommended budget.

The Subcommittee recommends concurring with the Governor's reduced funding recommendation of \$6,928,764 over the 2007-2009 biennium for transition costs and long-term production support of the Unified Tax System (UTS) project. The Department indicates \$28.8 million has been spent to date on the UTS project with an additional \$2.5 million projected to be incurred through June 30, 2007. As a result, the Department anticipates the project to cost approximately \$9.2 million less than the original budgeted cost of \$40.5 million. The project is on schedule to be completed by the end of FY 2006-2007.

The Department indicates the transition costs will provide for the final training and knowledge transfer of the system from the vendor to Department staff. Based on a revised vendor quote, the Subcommittee recommends shifting funding between fiscal years resulting in an increase of \$550,000 of General Fund support in FY 2007-2008 and a reduction of \$1,021,236 in FY 2008-2009. Moreover, the Subcommittee recommends adding a provision authorizing, with IFC approval, the carryforward of unspent FY 2007-2008 funding to FY 2008-2009, a provision similar to the 2005 Legislative actions.

The Subcommittee recommends approval of the Governor's recommendation to expand the Information Services Division of the Department adding six new positions including a new deputy director and a dedicated DoIT database administrator. The Department states the expansion would enable the Division to provide in-house maintenance for the new UTS and overall information

technology functions. The Subcommittee also recommended approval of additional travel and training costs not included in the original recommendation resulting in a revised total cost of \$481,446 in FY 2007-2008 and \$592,696 in FY 2008-2009.

The Subcommittee recommends concurring with the Governor's original recommendation to add four new positions to the Division of Assessment Standards. The new positions would provide assistance to local government and school districts, additional statistical analyses, more in-depth analyses of utility companies and an additional auditor for the Real Property Transfer Tax section. The additional positions require General Fund support totaling \$226,497 in FY 2007-2008 and \$213,411 in FY 2008-2009. The Subcommittee did not agree with the Governor's budget reduction recommendation to eliminate the auditor II position as the potential lost revenues from the inability to audit the larger revenue generators on a timely basis may outweigh the cost of the new position.

Additionally, the Subcommittee recommends the following actions:

- Approval of the Governor's budget reduction recommendation to transfer one position, instead of two as originally recommended, from DoIT to the Department of Taxation. The revised funding results in a reduction of General Fund support of \$107,177 in FY 2007-2008 and \$113,324 in FY 2008-2009.
- Approval of the Governor's original recommendation of \$659,190 in FY 2007-2008 and \$979,030 in FY 2008-2009 for a lockbox services contract enhancement to provide for tax return data entry and scanning/imaging. The Subcommittee did not concur with the Governor's revised recommendation to postpone the implementation of the lockbox services enhancement to FY 2008-2009.

CHAIR RAGGIO:

What does that mean as a practical matter? How is the lockbox operated?

Ms. DIGGINS:

The lockbox vendor processes payments received for tax liabilities.

DINO DICIANNO (Executive Director, Department of Taxation):

The lockbox operation processes the payment. The returns are batched and returned to the Department for data entry. The request will provide data entry and scanning while the funds are deposited. This process will save time.

Ms. DIGGINS:

Continuing with the Subcommittee recommendations:

- The elimination of increased funding of \$148,630 in FY 2007-2008 and \$134,230 in FY 2008-2009 for e-payment transaction fees as part of the Governor's budget reduction plan.

SENATOR TITUS:

Is that a fee to use e-payment?

Ms. DIGGINS:

With the new system, there is the capability to pay online via e-check. This enhancement is for the possibility of credit card payments. The current system does not handle credit card payments. Therefore, the additional funding is not required.

SENATOR TITUS:

Is the credit card payment option desirable?

Ms. DIGGINS:

That would require a programming modification which is not in the recommended budget.

SENATOR TITUS:

Is it not in the budget because of this elimination?

Ms. DIGGINS:

This elimination is not part of the credit card payment method.

SENATOR TITUS:

What is being removed by this recommended elimination?

Ms. DIGGINS:

In the current biennium, these funds were appropriated in the event the State permitted credit card transaction fees and other methods of e-payment. However, the funding was not needed this biennium so the Department decided not to request it for the upcoming biennium.

SENATOR TITUS:

Is the Department going forward with the credit card payment system?

Ms. DIGGINS:

They are not going forward in the 2007-2009 biennium. The Department has base funding for the projected increase in growth for the new system of online payment.

The Subcommittee also recommended the following actions:

- Approval of the Governor's original recommendation of \$96,247 to remodel the front counter and reception area of the Las Vegas office to accommodate walk-in traffic. The Department anticipates the remodel will enable the Department to reduce long lines and wait time for taxpayers. The Subcommittee did not concur with the Governor's recommended budget reduction recommendation to postpone the remodel project to FY 2008-2009.
- Approval of new equipment purchases of \$6,320 in FY 2007-2008 and \$65,347 in FY 2008-2009 in accordance with the Governor's recommended budget reduction recommendation resulting in an overall reduction of \$1,004 and the postponement of most of the new equipment purchases to FY 2008-2009.
- Approval of the Governor's budget reduction recommendation to delay the home office reimbursement rate increase for out-of-state auditors until

FY 2008-2009. The revised recommendation results in General Fund savings of \$12,000 in FY 2007-2008.

- Approval of the Governor's recommended budget deduction to postpone the implementation date of the reclassification of eight positions to the second year of the 2007-2009 biennium. The revised recommendation results in General Fund savings of \$30,860 in FY 2007-2008 and a nominal increase of \$496 in FY 2008-2009.
- Approval of the Governor's budget reduction recommendation to eliminate an increase in base expenditure funding for the State demographer's office resulting in General Fund savings of \$83,408 in FY 2008-2009 and \$85,673 in FY 2008-2009.

CHAIR RAGGIO:

Will the State demographer be able to function?

MS. DIGGINS:

The increased funding was for an additional position and travel costs.

Finally, the Subcommittee recommends closing the remainder of the Department of Taxation's budget as recommended by the Governor with technical adjustments noted by staff.

SENATOR BEERS MOVED TO ACCEPT THE REPORT OF THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT FOR THE DEPARTMENT OF TAXATION BUDGET AND TO CLOSE THE BUDGET ACCORDINGLY.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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SENATOR CEGAVSKE:

Please record my vote to approve the Department of Personnel's budget as recommended by the Subcommittee.

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CHAIR RAGGIO:  
There being no further information to come before the Committee at this time,  
we are adjourned at 10:42 a.m.

RESPECTFULLY SUBMITTED:

\_\_\_\_\_  
Sandra K. Small,  
Committee Secretary

APPROVED BY:

\_\_\_\_\_  
Senator William J. Raggio, Chair

DATE: \_\_\_\_\_