

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session  
May 17, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 5:02 p.m. on Thursday, May 17, 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:**

Sarah Coffman, Program Analyst  
Rick Combs, Program Analyst  
Julie Diggins, Program Analyst  
Gary L. Ghiggeri, Senate Fiscal Analyst  
Melinda Martini, Program Analyst  
Anne Vorderbruggen, Committee Secretary

**OTHERS PRESENT:**

Michael Torvinen, Deputy Director, Fiscal Services, Department of Health and Human Services  
James Wells, Deputy Superintendent for Administrative and Fiscal Services, Department of Education  
David McTeer, Chief, Information Technology Division, Department of Administration  
Veronica Meter, Vice President, Government Affairs, Las Vegas Chamber of Commerce  
Dana K. Bilyeu, Executive Officer, Public Employees' Retirement System of Nevada  
Carole A. Vilardo, Nevada Taxpayers Association  
Karen Baggett, Deputy Director, Administration, Office of Court Administrator, Judicial Branch  
Cynthia N. Kirkland, Major General, The Adjutant General of Nevada, Office of the Military

**CHAIR RAGGIO:**

The Committee has three bills for hearing and budget closings. At this time, we will open the hearing on Senate Bill (S.B.) 570. This bill contains an

appropriation to the Department of Health and Human Services to fund the working group studying the methamphetamine problem in Nevada.

**SENATE BILL 570**: Makes an appropriation to the Office of the Director of the Department of Health and Human Services to fund a working group to study the methamphetamine problem in Nevada. (BDR S-1504)

MICHAEL TORVINEN (Deputy Director, Fiscal Services, Department of Health and Human Services):

Senate Bill 570 provides funding to the director's office to pay for travel, consultant and support expenses for the working group during their meetings. This money will fund six meetings. Two meetings will be held in Las Vegas, two in Carson City, one in Elko and one in Tonopah. It will also provide funding for the working group to hire consultants in areas such as prevention, education, treatment, law enforcement, legislation and accountability and to hire a court reporter to keep minutes and a consultant to assist in writing the report.

CHAIR RAGGIO:

Did S.B. 346 provide the first part of these funds for fiscal year (FY) 2006-2007? Is this the remainder of the funding for FY 2007-2008?

**SENATE BILL 346 (1st Reprint)**: Makes an appropriation to the Office of the Director of the Department of Health and Human Services to fund a working group to study the methamphetamine problem in Nevada for the current fiscal year. (BDR S-1201)

MR. TORVINEN:

That is correct.

CHAIR RAGGIO:

If there is no objection from the Committee, we should pass this bill and send it to the Assembly so they can hold a hearing on the bill. There being no further testimony on S.B. 570, I will close the hearing.

SENATOR CEGAVSKE MOVED TO DO PASS S.B. 570.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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At this time, I will open the hearing on Assembly Bill (A.B.) 204, an appropriation to the Department of Education for video and computer equipment.

**ASSEMBLY BILL 204 (1st Reprint)**: Makes an appropriation to the Department of Education for video and computer equipment. (BDR S-1210)

JAMES WELLS (Deputy Superintendent for Administrative and Fiscal Services, Department of Education):

Assembly Bill 204 provides one-shot funding for the replacement of videoconferencing equipment in the northern and southern offices of the Department of Education as well as six computers originally included in our

agency's budget request. The existing videoconference equipment was purchased in 2001 and has become unreliable. Additionally, it is not compatible with some of the newer systems. Due to the unreliability and poor sound and video capabilities in our large conference rooms, the system is being used less often.

The new videoconferencing equipment would be similar to that used in the conference rooms in the new Richard H. Bryan Building and will be purchased through the existing contract to ensure compatibility with existing systems. The estimated cost for the videoconferencing equipment is \$117,074 for installation at both sites. The funding includes \$10,505 to replace five desktop computers and one laptop computer.

CHAIR RAGGIO:

Is that what makes up the total of \$127,579 in the bill?

MR. WELLS:

That is correct.

CHAIR RAGGIO:

Since this bill is an appropriation for FY 2007-2008, it cannot be processed until we pass an education bill. Is there any further testimony on A.B. 204?

SENATOR BEERS:

Last Session, all of the videoconference equipment purchases were made through Mr. David McTeer's office. I would like assurance from you that he is guiding your purchase with the goal of having statewide compatibility of all videoconferencing equipment. Would you object to an amendment to the motion to have Mr. McTeer approve the purchase?

MR. WELLS:

We have no problem working with Mr. McTeer's office. We had intended to use some of their statewide contracts to ensure compatibility.

SENATOR BEERS:

In that case, I will not request an amendment.

DAVID MCTEER (Chief, Information Technology Division, Department of Administration):

We have centralized purchasing authority. We have a statewide contract and I would be happy to work with the Department of Education.

CHAIR RAGGIO:

There being no further testimony, I will close the hearing on A.B. 204, and we will hold the bill.

At this time, I will open the hearing on A.B. 319.

**ASSEMBLY BILL 319 (1st Reprint)**: Pledges that the retirement benefits for certain public employees will not be increased without adequate funding. (BDR 23-750)

VERONICA METER (Vice President, Government Affairs, Las Vegas Chamber of Commerce):

I am present to support A.B. 319. The Public Employees' Retirement System and Benefits Program have an unfunded multibillion dollar liability to their members. We believe in dramatic reform and A.B. 319 is a symbolic and positive step in that direction.

CHAIR RAGGIO:

Is there someone here from the Public Employees' Retirement System who can explain this bill and its implications?

DANA K. BILYEU (Executive Officer, Public Employees' Retirement System of Nevada):

Assembly Bill 319 was originally sponsored by former Speaker Richard D. Perkins who is the proponent of the bill. It is a statement by the Legislature to refuse to process any benefit bills unless the system is 85-percent funded. The Assembly Committee on Ways and Means had one amendment to allow for benefit modifications which were cost neutral to the system.

CHAIR RAGGIO:

Our process has been to allow benefits or changes to benefits where they have been cost neutral. What does the first reprint do?

MS. BILYEU:

In prior periods, the way the benefits were funded had more to do with the statutory rate-setting mechanism. If there was room between the actuarial evaluation rate and when the triggers would happen and the contribution rates were not going to be triggered to be raised, then the benefit modification would have been in place. This bill indicates if there is any cost, regardless of whether it changes the rate, unless there is zero cost associated with it from an actuarial perspective, no benefits would be passed during a Legislative Session.

CHAIR RAGGIO:

This bill would require there could be no change in any form, even if it were rate neutral, until the unfunded liability was 85-percent funded.

MS. BILYEU:

Since the early 1990s when benefit modifications were made, the rates absorbed the normal costs. When a benefit is changed and you make it retroactive, it creates an unfunded liability. If it is made prospective, it affects the normal cost of the contribution rate. This bill would not allow any benefit modification, even those that were affecting normal costs.

CHAIR RAGGIO:

What is the position of the Public Employees' Retirement System (PERS)?

MS. BILYEU:

The Retirement Board took a neutral position with respect to this bill because this is an internal restriction for the Legislature. The Retirement Board has adopted a similar restriction with respect to proposed benefit modifications. The Board is restricted from endorsing any benefits legislation if there is not an actuarial rate reduction.

CHAIR RAGGIO:

If you wanted to change something that did not increase the rate and did not change the percentage of unfunded liability, would this bill preclude your doing that?

Ms. BILYEU:

If there is any actuarial rate impact, it would.

CHAIR RAGGIO:

I understand that. If you want to change something that would not affect the actuarial rate, would that be precluded? The bill says the Legislature will not enact any law which increases any benefit that is not cost neutral unless the actuarial value of the assets of the fund is equal to or greater than 85 percent. If you wanted to change a benefit that would not change the accrued liability percentage, could you do that?

Ms. BILYEU:

The amendment of the Assembly Committee on Ways and Means was attempting to address that. If there is no cost impact to a benefit, the way this bill is currently drafted, it would be allowed.

CHAIR RAGGIO:

I am not reading the bill that way. It says unless the actuarial value from which the benefit or allowance will be paid is equal to or greater than 85 percent, the Legislature will not enact any law.

Ms. BILYEU:

The amended language indicates it will not enact any law which has the effect of increasing any benefit or allowance that is not cost neutral. Since the early 1990s, the Legislature has not passed any benefits that have affected the actuarial value of assets.

CHAIR RAGGIO:

According to the actuary, what is the funded percentage at this time?

Ms. BILYEU:

The composite funded ratio is currently 74.9 percent. The Public Employees' Retirement Fund is funded at approximately 76 percent. The Police and Firefighters' Retirement Fund is funded at a little over 69 percent.

SENATOR COFFIN:

I have a hard time seeing how this can work. You would be saying you cannot even raise pay because that changes your liability. Am I oversimplifying this?

Ms. BILYEU:

It is the benefit structure that cannot be changed. What the local governments and the State do with their pay scales is not bound by the actuarial impacts. That is something we assume and measure in the valuation, but it is not actually part of the benefit package. This would not affect the payrolls of the individual entities.

SENATOR COFFIN:

You are changing your liability for approximately 50 years when you change the pay scale.

Ms. BILYEU:

The liabilities are measured based upon the assumptions associated with the programs. It is not the actual pay at the time; it is the trends in pay over time.

SENATOR COFFIN:

This Legislature cannot bind the next Legislature. Was this discussed by the Assembly Committee on Ways and Means?

Ms. BILYEU:

There was some discussion about this in the Assembly Committee on Ways and Means.

SENATOR COFFIN:

Since the funded ratio depends more upon the stock and bond markets than the contributions, the funded ratio could change rapidly. We could make changes and find out we are in violation of the law if the market drops. Was that taken into consideration?

Ms. BILYEU:

That was not discussed during the hearing on this bill in the Assembly Committee on Ways and Means.

SENATOR COFFIN:

The unfunded percentage of the actuarial accrued liabilities of the retirement fund is a moving target.

Ms. BILYEU:

I believe former Speaker Perkins' intent was for this bill to be a pledge that if there were market fluctuations and the funded ratio dropped below 85 percent, the Legislature would not pass any benefits at that point.

SENATOR COFFIN:

Theoretically, we would be locking ourselves in with a statute, although I do not think it binds us. It is based upon forces which we cannot control. It makes sense to say the benefits should not be increased without recognizing a potential increase in liability. Maybe there is a way to portray all benefit changes with a possible cost, but I do not know how you can relate it to the actuarial-funded liability in total because it changes by forces beyond our control.

SENATOR BEERS:

Since the Assembly sent this bill over to our House, it appears they see value in the Legislature working toward increasing the percentage at which our plan is funded. I appreciate the value of increasing that percentage.

CHAIR RAGGIO:

Is there any further testimony on A.B. 319?

CAROLE A. VILARDO (Nevada Taxpayers Association):

I am speaking in favor of A.B. 319 as it was originally written. I understand what Senator Coffin is saying. There are market forces which can drive the need for an increase in contributions. The economic downturn in 2001 exacerbated the liability situation for the PERS, and the Legislature increased the combined contribution rate from 18.65 percent to the current rate of 20.25 percent. That is not a split contribution in every case. Many of the contracts negotiated at the local government level are for 100-percent payment. The cost to the State was an additional \$26 million, which is why the rate was increased to 20.25 percent. We all know we are dealing with the unfunded liability issue we face with the Governmental Accounting Standards Board (GASB) Standards 43 and 45 and the requirements on retiree health care. This is a good step in trying to achieve some fiscal responsibility. I support A.B. 319, but I support it in its original version.

CHAIR RAGGIO:

The only change was the reference to cost neutral.

MS. VILARDO:

The advantage of having this in statute is that future Legislatures would have to consciously put a provision in a bill stating this new section in chapter 286 of the *Nevada Revised Statutes* (NRS) does not apply. There should also be discussion regarding any future proposed benefit changes.

CHAIR RAGGIO:

I assume your preference would be the original version of A.B. 319. If that were not the case, would you support the first reprint?

MS. VILARDO:

I would support it reluctantly.

SENATOR COFFIN:

The State benefits are not the problem. The problems with the PERS are frequently caused by large pay increases and changes in benefits at the local government level.

MS. VILARDO:

There are more local government employees, so they probably have a greater impact. The integrity of the retirement funds is extremely important. We owe it to the people when they retire to know they are covered.

CHAIR RAGGIO:

Is there anything further on A.B. 319? This bill is not exempt. If it is going to survive, we need to process it.

SENATOR BEERS MOVED TO AMEND AND DO PASS A.B. 319 IN THE ORIGINAL VERSION OF THE BILL.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee will now hear the closing report from the Joint Subcommittee on General Government pertaining to the Judicial Branch.

## LEGISLATIVE JUDICIAL

### JUDICIAL BRANCH

MELINDA MARTINI (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Joint Subcommittee on General Government completed its review of the Judicial Branch budget. The closing recommendations of the Subcommittee resulted in General Fund reductions of \$4,787,710 in FY 2007-2008 and \$8,746,292 in FY 2008-2009. Of these amounts, \$619,764 is recommended to be reappropriated to the Interim Finance Committee (IFC) in FY 2008-2009 for Information Technology enhancements, and \$2,266,595 is recommended to be reappropriated to S.B. 248 in FY 2008-2009 for decisions concerning judicial salary increases.

**SENATE BILL 248**: Revises provisions concerning the salaries of justices of the Supreme Court and district judges in Nevada. (BDR 1-663)

Pursuant to NRS 353.246, the budgets of the Judicial Branch agencies are included in the *Executive Budget* but are not subject to review by the Governor. Therefore, the Judicial Branch budgets presented in the *Executive Budget* represent the Court's request.

CHAIR RAGGIO:

The amount of \$2,266,595 was reserved to be reappropriated in S.B. 248. We have not yet acted on that bill. Is that the amount appropriated for salary adjustments for justices and judges?

MS. MARTINI:

That is the total amount for the salary increases. It is about a 30-percent increase in salaries.

CHAIR RAGGIO:

Is that the amount requested by the Judicial Branch?

MS. MARTINI:

Yes.

SENATOR COFFIN:

This was a contentious budget. Has the Judicial Branch been notified we are closing this afternoon?

MS. MARTINI:

Yes. Representatives of the Judicial Branch were present at the closing of this budget in the Assembly Committee on Ways and Means. They contacted me to make sure the closing documents for this meeting are the same and informed me they would not be present at this meeting.

There were several issues affecting multiple accounts. The budget submitted by the Judicial Branch requested funding of \$98.1 million over the



2007-2009 biennium which is a 31.7-percent increase over the amount of \$74.4 million approved by the 2005 Legislature. General Funds of \$60.1 million were requested which is a 38.2-percent increase over the \$43.5 million approved by the 2005 Legislature.

The budget request submitted by the Judicial Branch projected a 4-percent growth in administrative assessment revenue in each fiscal year of the 2007-2009 biennium. However, based upon reprojections from the Judicial Branch, an 8-percent increase in the number of administrative assessments in each fiscal year of the 2007-2009 biennium was recommended for approval by the Subcommittee. In addition, the value of each administrative assessment was recommended for approval by the Subcommittee at \$23.42 instead of the original projection of \$21.13. These decisions decreased the need for General Funds by \$2.55 million or 13.44 percent in those accounts which include both General Fund and administrative assessment revenue. For those accounts that receive revenue from administrative assessments only, additional authority of \$1.47 million over the 2007-2009 biennium was recommended. These accounts include the Administrative Office of the Courts, Judicial Education, Uniform System of Judicial Records and Specialty Courts.

CHAIR RAGGIO:

In recommending approval of the proposed revenue, did the Joint Subcommittee assume that \$1.47 million, in additional administrative assessments, would be received?

MS. MARTINI:

That was in the accounts which receive administrative assessments only.

CHAIR RAGGIO:

What was assumed to be the increase in administrative assessments over the biennium?

MS. MARTINI:

In the beginning, the last three years were used which averaged a 4-percent increase. However, when we looked at a year-to-year comparison, that was questioned by the Joint Subcommittee. These projections were recommended by the agency.

CHAIR RAGGIO:

How is the administrative assessment of \$23.42 computed?

MS. MARTINI:

The administrative assessment is computed by the agency. It is the average amount received on a ticket or from each person.

SENATOR BEERS:

The past several years have featured new technology in a number of our District Courts. The new technology has resulted in a more uniform assessment of those charges.

CHAIR RAGGIO:

Was the agency in agreement with that?

MS. MARTINI:

Yes. This was presented by the agency.

In addition to the projected increase in administrative assessment revenue, the Subcommittee recommended authorizing the Judicial Branch to collect \$1.62 million in outstanding administrative assessments and fine delinquencies that were recently discovered by the Las Vegas Justice Court. These additional outstanding administrative assessment revenues further decreased the General Fund need by \$1.62 million over the 2007-2009 biennium.

CHAIR RAGGIO:

Did the Judicial Branch believe these were collectible to that extent?

MS. MARTINI:

Yes. This represents about 20 percent of the total amount the Las Vegas Justice Court estimates is outstanding.

CHAIR RAGGIO:

Is this the item I read in the newspaper about some assessments and fines not being collected?

MS. MARTINI:

Their computer system was updated and these delinquent assessments and fines were discovered.

The budget request submitted by the Judicial Branch included General Funds of \$2.54 million in FY 2008-2009 to fund an increase in the base salaries for justices and judges, augmented pay for chief justices and chief judges and an increase in the maximum longevity percentage for justices and judges. The salary and longevity increases would go into effect during the last six months of FY 2008-2009.

Based upon the request of the Judicial Branch, the Subcommittee did not recommend approval of the longevity increase or the augmented salary increases for the Chief Supreme Court Justice and Chief District Court Judges. This reduced the General Fund by \$278,355 in FY 2008-2009. In addition, based upon recalculated salaries for newly-elected justices and judges, the General Fund was further reduced \$290,868 over the biennium.

CHAIR RAGGIO:

Was that a suggestion by the Judicial Branch?

MS. MARTINI:

Yes. That request was made when the Judicial Branch submitted their bill draft request.

With regard to the increase in the base salaries for Supreme Court Justices and District Court Judges, the Subcommittee recommended the removal of this decision unit from the Judicial Branch budget accounts and recommended funding for an increase in judicial salaries of \$2,266,595 to be included in S.B. 248, which is currently in the Senate Committee on Finance. The budget accounts affected by these decision units include the Supreme Court, District Judges' Salary and the Retired Justice Duty Fund.

MS. MARTINI:

To obtain additional information on the importance of each requested enhancement decision unit, the Subcommittee requested the Judicial Branch to prioritize all decision units included in the *Executive Budget*, except base, inflation, fringe-benefit rate adjustments and cost-of-living adjustments. The prioritization of the remaining decision units provided by the Judicial Branch was divided into three priority groupings: high, medium and low. The Subcommittee recommended the elimination of funding for all low priority items.

The first budget account (B/A) is the Supreme Court, B/A 101-1494.

Supreme Court – Budget Page COURTS-1 (Volume I)  
Budget Account 101-1494

The Joint Subcommittee on General Government recommends General Fund support for three new staff attorneys and three new paralegals based upon a 15-percent growth in the number of case filings between calendar years 2004 and 2006. Funding support included the request for remodeling costs to house the new positions, as well as office furniture, computers, supplies and training. The Subcommittee did not recommend funding for two additional staff attorneys and two additional paralegals during the 2007-2009 biennium. This reduced the General Fund by \$387,001 in FY 2007-2008 and \$446,880 in FY 2008-2009.

CHAIR RAGGIO:

Were those positions delineated as low priority by the Supreme Court?

MS. MARTINI:

Yes.

The Joint Subcommittee on General Government recommended approval of the amended request of the Judicial Branch to increase the amount paid to settlement conference judges from \$67.71 per hour, with a maximum per-case amount of \$650, to \$85.00 per hour, with a maximum per-case amount of \$850.

The Subcommittee recommended approving the request of the Judicial Branch for General Funds of \$553,530 in FY 2007-2008 and \$1.06 million in FY 2008-2009 for high-priority information technology enhancements for the Supreme Court. The projects include the second phase of the e-filing program at a cost of \$308,340 in FY 2007-2008 and \$39,870 in FY 2008-2009 and a new Web-based case management system at a cost of \$869,764 in FY 2008-2009.

SENATOR COFFIN:

In the Subcommittee's last meeting, I had supported a \$33,000 item for audio streaming of Supreme Court sessions over the Internet. This had been requested by the judges. I felt this could be something of importance to the Supreme Court and would enable the public to see inside the Supreme Court. The Subcommittee turned down this request. I would like our Committee to consider approving this item.

MS. MARTINI:

With regard to the new case management system, the Subcommittee recommended \$250,000 to remain in the budget account for use by the Supreme Court to obtain contractual services for formal planning of the system. The Subcommittee recommended the remaining \$619,764 be appropriated to the Interim Finance Committee (IFC) to allocate when a formal plan and budget for the new case management system is approved by the IFC.

CHAIR RAGGIO:

We are at the end of the Supreme Court's budget account.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-1494 AS RECOMMENDED BY THE JOINT COMMITTEE ON GENERAL GOVERNMENT.

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR COFFIN MOVED TO AMEND THE MAIN MOTION TO ADD \$33,288 TO THE BUDGET IN FY 2007-2008 FOR LIVE AUDIO STREAMING OF COURT SESSIONS OVER THE INTERNET.

SENATOR RHOADS SECONDED THE MOTION TO AMEND.

CHAIR RAGGIO:

Was this item on their medium priority list?

MS. MARTINI:

Yes.

THE MOTION TO AMEND CARRIED. (SENATORS BEERS, CEGAVSKE AND RAGGIO VOTED NO.)

THE AMENDED MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The Supreme Court budget will be closed, as recommended by the Joint Subcommittee, with the addition of \$33,288 for audio equipment.

The next budget account is B/A 101-1495, Specialty Court.

Specialty Court – Budget Page COURTS-26 (Volume I)  
Budget Account 101-1495

MS. MARTINI:

For the 2007-2009 biennium, the Judicial Branch requested General Funds of \$1.83 million in FY 2007-2008 and \$3.3 million in FY 2008-2009 to expand specialty courts, including hiring a new specialty court program coordinator. Since 2003 when the \$7 specialty court administrative assessment was authorized by the Legislature to support this program, General Funds have not been included in this budget account. Because of this, the Joint Subcommittee

on General Government did not recommend General Funds to be included in this budget account. Instead, the Subcommittee recommended the expansion of specialty courts be funded with administrative assessment revenue currently received by the Supreme Court. The costs funded with administrative assessment revenue that is redirected from the Supreme Court would be funded with General Funds.

CHAIR RAGGIO:  
Please explain your last sentence.

MS. MARTINI:  
Currently, the Supreme Court receives 60 percent of the administrative assessment revenue that goes to the Judicial Branch. If 12 percent of that was needed to fund the Specialty Court enhancements, the General Fund would make up the 12 percent in the Supreme Court's budget account. The Specialty Court expansion would be funded with administrative assessment and no General Fund would go into the Specialty Court account.

SENATOR BEERS:  
The Judicial Branch recommended a large increase in funding of specialty courts. The Subcommittee agreed with that concept, but was hesitant to set a precedent of putting General Funds directly into this account. The Subcommittee proposed processing legislation increasing the percentage of administrative assessments or court assessments that go to this account. That would decrease the amount of assessments going to the Supreme Court budget account. That amount would be made up with General Funds, which already fund a portion of the Supreme Court budget account.

SENATOR COFFIN:  
I voted against the Subcommittee's recommendation for this budget account because of the cuts they made in the increases requested by the court. The cuts would make it difficult for the courts to serve the needs portrayed by the judges at the district court level.

SENATOR TITUS:  
Where do the mental health courts fit in? We were discussing using some of the funding from the savings created by the reforms in the prison system to help fund mental health courts.

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):  
The mental health court, as discussed in the Subcommittee on K-12 and Human Services, is still on the add list. This is the judicial portion and funding has been included for that. The portion that relates to mental health is on the add list.

SENATOR TITUS:  
If it does not get added, how would it affect this budget?

MS. MARTINI:  
Mental health courts are included in this budget. The Subcommittee recommended an increase of approximately 28 percent in funding for specialty courts in FY 2007-2008 with another increase of \$1 million in FY 2008-2009. No type of specialty court was eliminated from their request. It is just that they had wanted to expand it even further. The mental health court and drug court

are still in the budget. There was also a request to begin a homeless court. Everything is still in the budget, just not to the extent originally requested.

SENATOR TITUS:  
Is the extension beyond this on the add list?

MR. GHIGGERI:  
The add list represents the demographic increases. Those are on the add list for both northern and southern Nevada adult mental health. It is substantial funding.

SENATOR TITUS:  
How does what is on the add list relate to the mental health courts?

SENATOR BEERS:  
It is my understanding those are the direct services to which mental health court participants would be referred.

MR. TORVINEN:  
What is on the add list in the mental health budget, as Senator Beers mentioned, are the mental health services. There would be counselors and that type of cost in the mental health budget to support the people going through the mental health court, and, as opposed to going to jail, they are referred to community-based services.

SENATOR TITUS:  
Should the funding for the court and the services for the people who come out of the court be considered together?

SENATOR BEERS:  
In going through this budget on the judicial side, the Subcommittee determined they had not been accounting for how much was spent in the various kinds of specialty courts. The Subcommittee has requested an accounting, and they have agreed to start accounting for their spending in the next biennium by the type of specialty court and by the district.

The mental health courts are the most expensive specialty court because, in many cases, they are providing fully-paid apartments, transportation allowances and food allowances to get people back on their feet.

CHAIR RAGGIO:  
Our action here would not preclude or obviate in any way whether or not we add additional services for these specialty courts in the other budget. Is that correct?

MR. TORVINEN:  
I believe what Senator Titus is saying is if you fund the courts here to have a specialty court and you do not fund the mental health services, there will be no place for those people to go.

CHAIR RAGGIO:  
We need to know to what extent our action here will require additional funding in other budgets.

MR. TORVINEN:

I agree with that statement.

SENATOR BEERS:

The courts have a great deal of leeway here. The Subcommittee did not recommend a budget categorized by type of court. If it turns out there is not enough money in the mental health services area for them to put through a certain number of participants, they can scale the mental health courts down and reallocate the specialty court resources.

CHAIR RAGGIO:

If the Committee closes the budget this way, it would be helpful to ask the Department of Health and Human Services and the Supreme Court to submit to us what they believe the additional funding should be to provide those services.

MS. MARTINI:

For FY 2007-2008, the Subcommittee recommended \$5.27 million in administrative assessment expenditure authority for the specialty court program. This amount, less reserve, represents a 27.6-percent increase over the anticipated FY 2006-2007 expenditures of \$3.84 million. For FY 2008-2009, the Subcommittee recommended \$6.27 million, which is \$1 million more than authorized in FY 2007-2008. This requires funding of \$1.69 million in FY 2008-2009 to be redirected from the budget of the Supreme Court to the specialty court program and \$1.69 million in General Funds to be included in the budget account for the Supreme Court. This also requires a revision to NRS 176.059 to reduce the percentage of administrative assessment revenue currently directed to the Supreme Court from 60 percent to 48 percent, effective July 1, 2008. A bill draft request would be required for this revision.

CHAIR RAGGIO:

Is the Supreme Court in agreement with this?

MS. MARTINI:

Yes.

CHAIR RAGGIO:

Has a bill draft been requested?

MS. MARTINI:

No. My understanding is if this is approved by the full Committee, a bill draft would need to be requested.

SENATOR BEERS:

Has the Assembly agreed with this concept?

MS. MARTINI:

The Assembly Committee on Ways and Means has approved this as recommended by the Subcommittee.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-1495 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATORS TITUS AND COFFIN VOTED NO.)

BUDGET CLOSED.

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SENATOR TITUS:

I voted no because it makes no sense to me to just come up with a figure to give to the Supreme Court for specialty courts. We need an accounting for how much of the money went to drug courts, mental health courts or other courts. We do not know what they need and it has nothing to do with what we are funding in other budgets. I just cannot support that.

KAREN BAGGETT (Deputy Director, Administration, Office of Court Administrator, Judicial Branch):

We asked for additional money in the specialty court budget. The Subcommittee did not recommend giving us all the money we requested. We do have an accounting of all the money we have spent. We can give you a breakdown. We have provided much of that detail to the budget staff. We will get that information to you.

SENATOR TITUS:

I am in favor of funding the specialty courts. I thought I heard that you did not have that kind of information. I must have misunderstood.

CHAIR RAGGIO:

Would you please give us that information so it can be provided to the Committee members?

SENATOR COFFIN:

Part of the testimony we heard included the number of people who are being taken care of in these specialty courts. Under the existing funding circumstances, only 20 people could be taken care of in the mental health court. Without more money, not many people can be helped.

MS. BAGGETT:

I am not sure of the exact numbers. I will provide that information. The mental health court does cost much more because of everything they do.

SENATOR BEERS:

It sounds like a detailed accounting has been provided, so I will take back my earlier statement. Going forward, the courts have agreed to account for this in categories within the accounting system so it will be an automatic process.

CHAIR RAGGIO:

I do not want to leave the impression that our action diminishes the importance of the specialty courts. From the beginning, I have supported this concept. The specialty courts are probably as important an issue as full-day kindergarten.

Let us go to the next budget account, Division of Planning and Analysis, B/A 101-1484.



Division of Planning & Analysis – Budget Page COURTS-48 (Volume I)  
Budget Account 101-1484

MS. MARTINI:

Through S.B. No. 77 of the 73rd Session, the courts are authorized to allow a person convicted of domestic violence battery to participate in counseling sessions on a biweekly basis instead of a weekly basis if the person lives more than 70 miles from the nearest location for counseling services. The court administrator is required to submit annual reports on the effectiveness of the program. The domestic violence study sunsets on June 30, 2009.

The Judicial Branch requested General Funds of \$217,844 in FY 2007-2008 and \$207,506 in FY 2008-2009 to fund the costs associated with the study on domestic violence, including a new senior court research analyst, a new clerical position, contract services, statistical software and in-state travel. The Joint Subcommittee on General Government did not recommend funding to support the study, as requested by the Judicial Branch. Instead, the Subcommittee recommended a bill draft request that would sunset the domestic violence program on June 30, 2007, instead of June 30, 2009.

The Subcommittee recommended approval of the remaining budget requests of the Judicial Branch for the Division of Planning and Analysis including a new court improvement program coordinator, training and replacement equipment. The Subcommittee did not recommend the transfer of training costs from judicial education to budget accounts to be funded from the General Fund, since the provision of training for Judicial Branch staff is the purpose of the budget account and more than sufficient funding was available to support the requested training.

SENATOR BEERS:

We heard testimony that S.B. No. 77 of the 73rd Session was processed with no fiscal impact. The courts thought they could do this with their existing staff. They have determined they could not, and the Subcommittee decided it would be more expedient to try to unwind that reporting requirement rather than hire people for a short-term project.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-1484 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget is Administrative Office of the Courts, B/A 101-1483.

Administrative Office of the Courts – Budget Page COURTS-42 (Volume I)  
Budget Account 101-1483

MS. MARTINI:

The Subcommittee recommended approval of the budget request for the Administrative Office of the Courts as included in the *Executive Budget*. Funding of \$87,116 in FY 2007-2008 and \$81,292 in FY 2008-2009 was recommended to support the costs of the new Article 6 Commission which was formed by the Supreme Court in November 2006 and will study all aspects of the Nevada Judiciary. In addition, the Subcommittee recommended funding for a new accounting clerk, staff training and replacement equipment as requested by the Judicial Branch.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-1483 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR CEGAVSKE SECONDED THE MOTION.

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

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is Judicial Education, B/A 101-1487.

Judicial Education – Budget Page COURTS-66 (Volume I)  
Budget Account 101-1487

MS. MARTINI:

The Joint Subcommittee on General Government recommended approval of the request of the Judicial Branch for training enhancements totaling \$229,392 over the 2007-2009 biennium. The Subcommittee did not recommend approving the request of the Judicial Branch to transfer the costs of training certain employees from this budget account to the budget accounts of the Supreme Court and the Division of Planning and Analysis. The Judicial Education budget account is funded with administrative assessment revenues and the budget accounts of the Supreme Court and the Division of Planning and Analysis are funded with General Funds. This would reduce the need for General Funds in the budget accounts of the Supreme Court and the Division of Planning and Analysis by \$156,378 over the biennium. In addition, the Subcommittee did not recommend a new administrative assistant in this account since there is already one administrative assistant to support three program staff.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-1487 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR MATHEWS SECONDED THE MOTION.

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

BUDGET CLOSED.

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MS. MARTINI:

The Subcommittee also reviewed the budgets for the following accounts: Uniform System of Judicial Records, District Judge/Surviving Spouse Retirement, Law Library, Judicial Travel and Support and Judicial Selection. The Subcommittee recommended these accounts be closed as presented in the *Executive Budget*, with minor technical adjustments by staff.

Uniform System of Judicial Records – Budget Page COURTS-58 (Volume I)  
Budget Account 101-1486

District Judge/Surviving Spouse Retirement – Budget Page COURTS-20  
(Volume I)  
Budget Account 101-1491

Law Library – Budget Page COURTS-30 (Volume I)  
Budget Account 101-2889

Judicial Travel and Support – Budget Page COURTS-35 (Volume I)  
Budget Account 101-1493

Judicial Selection – Budget Page COURTS-39 (Volume I)  
Budget Account 101-1498

The budget accounts for the Senior Justice and Senior Judge Program and the District Judges' Salary Program were also recommended for closure as presented in the *Executive Budget* except for the requested salary increases which were removed to be considered through S.B. 248.

Senior Justice & Senior Judge Program – Budget Page COURTS-21 (Volume I)  
Budget Account 101-1496

District Judges' Salary – Budget Page COURTS-17 (Volume I)  
Budget Account 101-1490

SENATOR CEGAVSKE MOVED TO CLOSE THE REMAINDER OF THE JUDICIAL BRANCH BUDGET ACCOUNTS AS PRESENTED IN THE *EXECUTIVE BUDGET*, WITH MINOR TECHNICAL ADJUSTMENTS BY STAFF AND WITH THE REMOVAL OF THE REQUESTED SALARY INCREASES IN THE SENIOR JUSTICE AND SENIOR JUDGE PROGRAM AND THE DISTRICT JUDGES' SALARY PROGRAM WHICH WERE REMOVED TO BE CONSIDERED THROUGH S.B. 248.

SENATOR BEERS SECONDED THE MOTION.

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

BUDGETS CLOSED.

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CHAIR RAGGIO:

Next is the Joint Subcommittee on Public Safety, Natural Resources and Transportation Closing Report for the Office of the Military.

## INFRASTRUCTURE

### MILITARY

MS. MARTINI:

During the budget closings for the Office of the Military, the Senate Committee on Finance closed all of the budget accounts except the item related to Project ChalleNGe. This item was held by the Committee.

Military – Budget Page MILITARY-1 (Volume III)  
Budget Account 101-3650

The Senate members of the Joint Subcommittee on Public Safety, Natural Resources and Transportation recommended approval of funding as recommended by the Governor for implementation of a new Project ChalleNGe program in the State. The Project ChalleNGe program is a National Guard program that is educational and consists of a five-month residential phase and a one-year post-residential phase. One of the goals of the program is for students to obtain a general education diploma (GED). Applicants must be volunteers between 16 and 18 years of age, drug free, unemployed, a high-school dropout and not under current juvenile probation. States that implement the program are required to graduate two 100-student classes a year. Currently, the Nevada National Guard participates in the Project ChalleNGe program through the Arizona National Guard at a cost of approximately \$136,000 each fiscal year. Through the Arizona agreement, Nevada sends 24 students each year to the program. Since the last Nevada graduating class through the Arizona program would be December 2007, General Fund support of \$67,200 in FY 2007-2008 and \$134,400 in FY 2008-2009 was eliminated for the agreement with the Arizona National Guard.

The Senate members of the Joint Subcommittee recommended General Funds of \$500,000 in FY 2007-2008 for startup costs for the new Project ChalleNGe program. Operational costs for the program are funded with 60-percent federal funds and 40-percent State funds. The Senate members of the Joint Subcommittee recommended General Funds of \$1.2 million in FY 2008-2009 and recommended authorizing the Office to accept federal funds in the amount of \$1.68 million to implement the program during FY 2008-2009. The first class would begin the program in July 2008. The General Funds of \$1.2 million represent \$120,000 more than the requirement. According to the Office of the Military, the additional General Funds would be utilized to provide sufficient staffing for effective 24-hour coverage for the program.

In addition to operational costs of the program, the State is required to support 100 percent of the facility costs to house, feed and educate the 100 students enrolled in each class. The Governor has formally requested the use of the former federal prison camp at Nellis Air Force Base as the location for the Nevada Project ChalleNGe. Confirmation of the availability of this facility for purposes of the Project ChalleNGe program has not yet been received by the Nevada National Guard. In the event there are delays in obtaining a facility, the

Office of the Military indicates the Stead Training Center could be utilized for a short term.

SENATOR BEERS:

There is a difference in this account between the Senate and the Assembly at the Subcommittee level. The Assembly did not want to recommend this program for approval and the Senate did.

CHAIR BEERS:

Along with the Governor, Senator Coffin, Assemblywoman Smith and Assemblyman Parks, I attended a graduation at a campus of Project ChalleNGe in California several months ago. Their program has been in existence for almost ten years. On graduation day, they have a celebration that brings back alumni. We had the opportunity to talk to a number of students and alumni of the program. I was impressed with the job they had done in providing direction for the young people. The Senate members of the Subcommittee thought it was a meritorious program and recommended it for approval.

SENATOR TITUS:

I am sure it is a meritorious program and they do a good job. However, we could send our students to Arizona for \$136,000 a year instead of spending \$1.2 million just so we can have our own program in Nevada as a feeder for the National Guard. In a year when we are strapped for revenue, a lot of ongoing, not new, programs are hurting. This is not a year to start our own program.

CHAIR RAGGIO:

The Nevada program anticipates a larger class than the 24 students we were sending to Arizona.

SENATOR TITUS:

We did hear testimony about that, but we also heard testimony about the dropout rate of the program. There is no guarantee they are going to find 100 students to sign up for this program. That is an optimistic projection.

CYNTHIA N. KIRKLAND (Major General, The Adjutant General of Nevada, Office of the Military):

We currently graduate about 24 students a year from the program, but in the process we are turning away over 100 applicants for the program. We get about 150 applicants a year and that is with no advertising.

SENATOR TITUS:

Is it correct that 24 is the number of graduates, not the number who are sent?

GENERAL KIRKLAND:

That is correct. We graduate 24 and send between 30 and 40 students. That is 24 of the 30 who would not have graduated from high school and who would not have had a GED.

CHAIR RAGGIO:

How many applicants who are qualified did you say you have to turn away?

GENERAL KIRKLAND:

We are receiving about 150 applications a year and we send between 15 and 20 to each class. There are two classes. We are doing no recruiting.

SENATOR COFFIN:

I went on the tour of the Project ChalleNGe program in California. I talked to parents and students and got the impression they were happy the program was there and their children were in it. It is not a boot camp. If we devote funds to this, it will be devoting dollars to education. While it may not seem to be that on the surface, it is taking care of children elsewhere who would be in school. I do not think it is a feeder for the National Guard. Only about 20 percent or less of the children enlist in the National Guard after graduating and it is obvious they are not making a hard sell to try to get the children into the military.

GENERAL KIRKLAND:

To address Senator Titus' concern, Project ChalleNGe is not a recruiting program for the military. About 10 percent to 15 percent of the students traditionally want to join the military. Some of them are encouraged to join the military because of the environment from which they came. The only way they can avoid going back to that environment is to join the military where they have security, structure and support. We encourage those children to go on into the military if that is their choice. We do not actively recruit them.

SENATOR CEGAVSKE:

I support this program. It is a step in the right direction. It is good for the State and the children. We need to look at ways to keep our people in the State.

SENATOR MATHEWS:

My concern is we need to have housing and a place to put the program. I understand Nellis Air Force Base has not made a commitment and I am not sure what is going on at Stead.

GENERAL KIRKLAND:

We have the facilities to start the program immediately at our Stead Training Center. We can accommodate the program at Stead for up to 18 months if necessary. At the local level, the Air Force cannot make a commitment for Nellis Air Force Base. The Chief of Staff of the Air Force has to make the commitment and that is in process. We have their informal approval and they support it verbally. The Committee has a packet of information regarding the ChalleNGe Academy ([Exhibit C](#), original is on file in the Research Library). Included in the packet are aerial photographs of the complex at Nellis Air Force Base.

SENATOR MATHEWS:

My concern with Stead is that the Job Corps must take up much of the space.

GENERAL KIRKLAND:

The Job Corps does not occupy any of our facilities.

SENATOR MATHEWS:

Are they off the military base?

GENERAL KIRKLAND:  
Yes.

SENATOR TITUS:  
I was not invited to go on the field trip to see the program in California. I would have learned more about the program if I had been able to attend.

GENERAL KIRKLAND:  
Unfortunately, the space was limited for that tour. The Governor selected the Chair and members of the Joint Subcommittee to invite on the tour, as they would be able to bring the information back and share it with the entire committee. We will certainly make an opportunity available for you to make the tour in the future.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-3650 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON PUBLIC SAFETY, NATURAL RESOURCES AND TRANSPORTATION, INCLUDING FUNDING FOR PROJECT CHALLENGE.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS VOTED NO.)

BUDGET CLOSED.

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MS. MARTINI:  
There is one outstanding issue for the Commission on Tourism's budget closing. That was on the Reno-Tahoe Winter Games Coalition.

#### ECONOMIC DEVELOPMENT AND TOURISM

Tourism - Tourism Development Fund – Budget Page ECON DEV  
& TOURISM-23 (Volume II)  
Budget Account 225-1522

At their meeting of May 11, 2007, the Senate Committee on Finance closed all the budget items except for the item related to the Reno-Tahoe Winter Games Coalition. The *Executive Budget* recommends continued funding of \$125,000 in each fiscal year to support the Reno-Tahoe Winter Games.

The first unresolved issue concerns the balance forward of funds. The Reno-Tahoe Winter Games Coalition is requesting to balance forward the remaining funds from FY 2006-2007 to be utilized during the 2007-2009 biennium. Based upon this request, the Committee questioned the amount of money projected to be remaining at the end of FY 2006-2007. There are several different revenue sources coming into the Coalition. These resources are commingled to fund various programs of the Coalition. The Coalition anticipates having a revenue surplus of approximately \$60,000 at the end of FY 2006-2007. According to the Commission on Tourism, this figure represents the total remaining revenues from all sources, not just from the Commission on Tourism. However, Commission on Tourism funds represent about 68 percent of the revenue received by the Coalition for this fiscal year.

The second issue is the request for \$125,000 in each fiscal year of the biennium. During the last budget hearing, the Committee requested a copy of the Coalition's proposed budget for the 2007-2009 biennium. Their total funding is \$365,324 in FY 2007-2008 and \$415,324 in FY 2008-2009 from all revenue sources. Funding from all the sources for administrative expenses totals \$148,000 in FY 2007-2008 and about \$161,000 in FY 2008-2009.

Does the Committee wish to approve additional funding of \$125,000 in each fiscal year of the 2007-2009 biennium to help support the costs associated with the Reno-Tahoe Winter Games Coalition? If the Committee wishes to approve additional funding for the Coalition, the Committee may wish to consider including language in the Authorizations Act which would require the Commission to request any unspent funds be returned at the end of each fiscal year. In addition, the Committee may wish to require the Commission on Tourism to monitor the use of these funds by the Reno-Tahoe Winter Games Coalition and report its findings to the IFC on a semiannual basis.

The second decision for the Committee is whether it wishes to authorize the Coalition to balance forward the remaining funds from FY 2006-2007 to use during the 2007-2009 biennium. If the Committee chooses to approve funding for the 2007-2009 biennium, staff would not recommend approval of the balance forward, since funds would already be provided on an annual basis to fund operating costs.

CHAIR RAGGIO:

This is an important issue for northern Nevada and for the potential of hosting the Olympic Winter Games in 2018. I recommend we approve the funding but not the balance forward of the remaining funds for FY 2006-2007, with the requirement the funds could not be carried forward from fiscal year to fiscal year and they would have to account for utilization of the funds.

SENATOR CEGAVSKE MOVED TO APPROVE FUNDING OF \$125,000 IN EACH FISCAL YEAR OF THE 2007-2009 BIENNIUM TO HELP SUPPORT THE COSTS ASSOCIATED WITH THE RENO-TAHOE WINTER GAMES COALITION; TO NOT AUTHORIZE THE COALITION TO BALANCE FORWARD REMAINING FUNDS FROM FY 2006-2007 FOR USE DURING THE 2007-2009 BIENNIUM; TO REQUIRE AN ACCOUNTING OF UTILIZATION OF THE FUNDS; AND TO CLOSE BUDGET ACCOUNT 225-1522 AS AMENDED.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget closing is for the Department of Business and Industry.

BUSINESS AND INDUSTRY



SARAH COFFMAN (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Joint Subcommittee on General Government has reviewed the budgets for the Department of Business and Industry for the 2007-2009 biennium. The Subcommittee recommendations result in General Fund increases of \$399,292 in FY 2007-2008 and \$330,982 in FY 2008-2009, compared to the Governor's recommendation.

The first budget account is the Director's Office, B/A 101-4681.

B&I, Business and Industry Administration – Budget Page B&I-1 (Volume II)  
Budget Account 101-4681

The Joint Subcommittee on General Government concurred with the modified cost-allocation plan recommended by the Governor. However, the Subcommittee recommends issuing a letter of intent directing the agency to review its cost-allocation plan over the interim and develop recommendations for revisions to the plan with the intent the revisions would be included as part of the Department's budget process for the 2009-2011 biennium. In addition, the Subcommittee concurred with the Governor's recommendation to transfer a PC/LAN technician from the Department of Information Technology to the Director's Office. The Subcommittee did not support the Governor's recommendation to transfer a vacant accountant II position from the Housing Division to the Director's Office.

SENATOR BEERS MOVED TO CLOSE BUDGET ACCOUNT 101-4681 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is Insurance Regulation, B/A 101-3813.

B&I, Insurance Regulation – Budget Page B&I-7 (Volume II)  
Budget Account 101-3813

RICK COMBS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Subcommittee concurred with the Governor's recommendation to continue a management analyst position and an administrative assistant position for the corporate and financial section of the Division. These positions were added by the Division during FY 2005-2006. The positions were added to provide assistance with financial analysis and examinations of insurers in an effort to maintain the Division's accreditation with the National Association of Insurance Commissioners. The Subcommittee also concurred with the Governor's recommendation for two additional management analyst positions for the

corporate and financial section to address the issues set forth in the pre-accreditation review and legislative audit.

The Subcommittee recommends various technical adjustments for this account which increase the funding transferred from the Division's other non-General Fund accounts into this account to offset the General Fund. The largest adjustment involved some technical adjustments to the Division's internal cost allocation. That results in a General Fund reduction of about \$123,000 over the biennium. The Subcommittee also recommended requiring this account to contribute toward the statewide cost assessment as well as the Attorney General's cost allocations through transfers from the Division's other non-General Fund accounts. This recommendation increases General Fund revenues by about \$5,500 in each fiscal year and reduces the General Fund need in the Attorney General's account by approximately \$322,000 over the biennium.

CHAIR RAGGIO:

Are there any objections to this budget? If not, I will accept a motion for approval.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 101-3813 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is Insurance Examiners, B/A 223-3817.

B&I, Insurance Examiners – Budget Page B&I-14 (Volume II)  
Budget Account 223-3817

MR. COMBS:

The Subcommittee recommends reducing examination and administrative fee revenues received from insurers for the costs of conducting financial examinations by approximately \$400,000 in FY 2007-2008 and \$120,000 in FY 2008-2009. The Subcommittee determined the revenues were overstated based on the fact they were far in excess of the examination expenditures in the account. Examination fees are imposed to cover the costs of hiring contract examiners to perform examinations, while administrative fees are imposed to reimburse the regulation account because employees in that account conduct supervisory reviews of examinations.

Based in part on the impact of the revenue reductions on the reserve level for this account, the Subcommittee recommended the issuance of a letter of intent directing the Division to determine whether the account can continue to support such a large percentage of the total cost-allocation transfers to the regulation account. Currently, about 72 percent of the total transfers are coming out of

this account. This is partly due to an adjustment made in the internal cost allocation several years ago.

CHAIR RAGGIO:  
Is there a reserve in this account?

MR. COMBS:  
Yes. The reserve is being reduced this biennium to a level of approximately \$380,000. That is a significant reserve, and it is sufficient for this biennium. However, if it continues to be drawn down at the same rate, it will not be sufficient in the future.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 223-3817  
AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL  
GOVERNMENT.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:  
The next budget account is Captive Insurers, B/A 101-3818.

B&I, Captive Insurers – Budget Page B&I-17 (Volume II)  
Budget Account 101-3818

MR. COMBS:  
The Joint Subcommittee on General Government recommends increasing the revenues for this account based upon revised projections provided by the Division for the 2007-2009 biennium. Although the reserve for the account in the *Executive Budget* was reflected as only \$6,582 at the end of the 2007-2009 biennium, the additional revenues and the Subcommittee's recommended reductions in expenditures are projected to increase the reserve to approximately \$291,000 at the end of the biennium. The Subcommittee recommends increased travel authority for the chief insurance examiner position in this account to increase their efforts at marketing Nevada as an attractive state for captive insurers. They recommend reducing the additional travel authority recommended by the Governor from \$28,939 in each fiscal year of the biennium to \$15,664 in FY 2007-2008 and \$11,693 in FY 2008-2009.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 101-3818  
AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL  
GOVERNMENT.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is the Transportation Services Authority, B/A 226-3922.

B&I, Transportation Services Authority – Budget Page B&I-47 (Volume II)  
Budget Account 226-3922

Ms. COFFMAN:

The Subcommittee recommends approval of two of the six new positions recommended by the Governor. Those positions are a financial analyst and a compliance/audit investigator. The financial analyst would assist the agency in meeting its financial performance goals, while the compliance/audit investigator would be responsible for motor carrier investigations in northern Nevada. The motor carrier investigations are currently performed by an under-filled compliance enforcement officer. The Subcommittee recommends increasing the agency's revenue projections for limousine licensing fees by \$12,000 in each year of the biennium, with corresponding reductions to the Highway fund. The Subcommittee also recommends approval of a 3-grade pay increase for nine sworn peace officers to bring the agency's peace officers into pay parity with the sworn officers in the Department of Public Safety and the Department of Corrections.

SENATOR RHOADS MOVED TO CLOSE BUDGET ACCOUNT 226-3922 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

Next is the Manufactured Housing Division, B/A 271-3814.

B&I, Manufactured Housing – Budget Page B&I-59 (Volume II)  
Budget Account 271-3814

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

After closing adjustments, the FY 2008-2009 budgeted reserve is approximately \$1.7 million for the Manufactured Housing Division. The Division has stated it requires a reserve level approximating 120 days of operating expense, or \$384,310. As a result of the large reserve, the Joint Subcommittee on General Government recommends issuing a letter of intent directing the agency to report semiannually to the Interim Finance Committee on revenue and expenditure data with the impact on reserves. The reports should include ongoing cost analyses to determine whether additional fee adjustments can be implemented over the

2007-2009 biennium. The Subcommittee recommends approval of three manufactured housing inspectors to be located in Elko, Carson City and Las Vegas, as the Division has experienced a significant backlog in completing their inspections.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 271-3814 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is the Mobile Home Lot Rent Subsidy, B/A 630-3842. What is this subsidy and what its purpose?

B&I, Mobile Home Lot Rent Subsidy – Budget Page B&I-66 (Volume II)  
Budget Account 630-3842

Ms. DIGGINS:

The lot rent subsidy assists low-income persons with their monthly manufactured-housing space rent, up to a maximum of \$100 a month.

CHAIR RAGGIO:

From where does the funding come?

Ms. DIGGINS:

There is an annual assessment of \$12 for each space in the mobile home parks which goes into this fund.

CHAIR RAGGIO:

Does this account have a low reserve?

Ms. DIGGINS:

Yes. As a result of the recent mobile home park closures, over 100 spaces have been lost during the current biennium. This has diminished the revenue source for this assistance.

CHAIR RAGGIO:

What happens if the account gets below the reserve?

Ms. DIGGINS:

The agency indicates they would have to cut back on the amount of assistance provided to each individual.

CHAIR RAGGIO:

The agency can provide that only to the extent funding is available.

SENATOR RHOADS MOVED TO CLOSE BUDGET ACCOUNT 630-3842 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

Next is the Mobile Home Parks budget account, B/A 271-3843.

B&I, Mobile Home Parks – Budget Page B&I-72 (Volume II)  
Budget Account 271-3843

Ms. DIGGINS:

The Mobile Home Parks budget account has a large ending reserve balance. There was discussion in the hearings regarding whether funds from this reserve could be utilized in assisting the mobile home lot rent subsidy account. However, by statute, they are not permitted to use those funds for other than mobile home park complaint investigations. The Joint Subcommittee on General Government recommends issuing a letter of intent for the agency to report the status of their reserves semiannually.

CHAIR RAGGIO:

Is there a motion to approve the Subcommittee's recommendation?

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 271-3843 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is the Real Estate Division, B/A 101-3823.

B&I, Real Estate Administration – Budget Page B&I-90 (Volume II)  
Budget Account 101-3823

Ms. COFFMAN:

The Joint Subcommittee on General Government recommends increasing General Fund appropriations by \$249,898 in FY 2007-2008 and \$175,178 in FY 2008-2009 to correct General Fund shortfalls displayed in the *Executive Budget*. The Subcommittee recommended one new administrative assistant II position for the new central service section in the Las Vegas office.

In addition, the Subcommittee recommends reclassifying an existing program/information specialist, which has been vacant for eleven months, to an administrative assistant II for the central service section. In light of the General Fund shortfalls displayed in the *Executive Budget*, the Subcommittee does not concur with the Governor's recommendation to provide additional General Fund appropriations to support five new positions: an administrative assistant I, an additional administrative assistant II, an administrative assistant IV, a deputy administrator and a program officer II. The Subcommittee recommends continuing funding for Title XI activities relating to the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989.

CHAIR RAGGIO:

Will the Division be able to function without these positions?

SENATOR BEERS:

Yes.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 101-3823  
AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL  
GOVERNMENT.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is Common Interest Communities, B/A 101-3820.

B&I, Common Interest Communities – Budget Page B&I-107 (Volume II)  
Budget Account 101-3820

Ms. COFFMAN:

The Joint Subcommittee on General Government recommends approval of one of the two compliance investigator II positions recommended by the Governor to be located in the Las Vegas office to reduce the caseload maintained by the agency's two existing compliance investigators. The Subcommittee also recommends approval to fund \$150,000 each year of the biennium for the administrative law judge program, as recommended by the Governor. The program provides a venue for complaints filed with the ombudsman that do not rise to the level of the State taking prosecutorial action against an individual or home owners' association.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 101-3820  
AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL  
GOVERNMENT.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

Next is the budget on Financial Institutions, B/A 101-3835.

B&I, Financial Institutions – Budget Page B&I-114 (Volume II)  
Budget Account 101-3835

Ms. COFFMAN:

The Subcommittee recommends approval to increase the agency's revenue projections by \$520,633 in each year of the 2007-2009 biennium. In addition, the Subcommittee recommends approving the Governor's recommendation to fund a commercial off-the-shelf licensing, certification and enforcement system. However, the Subcommittee recommends placing the funding into a separate reserve category within the agency's budget and issuing a letter of intent directing the agency to approach the Interim Finance Committee after the agency has identified the database structure and contracting methodology; developed revised cost estimates based upon the selected structure; and revised the cost-allocation methodology if an enterprise solution system is chosen for the Department of Business and Industry.

SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 101-3835  
AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL  
GOVERNMENT.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

Next is the Housing Division, B/A 503-3841.

B&I, Housing Division – Budget Page B&I-132 (Volume II)  
Budget Account 503-3841

Ms. DIGGINS:

The Joint Subcommittee on General Government did not concur with the Governor's recommendation to transfer one vacant accountant II position to the Business and Industry director's office.

CHAIR RAGGIO:

Is that the only issue?

Ms. DIGGINS:

Yes.



SENATOR CEGAVSKE MOVED TO CLOSE BUDGET ACCOUNT 503-3841 AS RECOMMENDED BY THE JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT.

SENATOR BEERS SECONDED THE MOTION

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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CHAIR RAGGIO:

The next budget account is Mortgage Lending, B/A 101-3910.

B&I, Division of Mortgage Lending – Budget Page B&I-151 (Volume II)  
Budget Account 101-3910

Ms. COFFMAN:

The Joint Subcommittee on General Government recommends revising revenue projections for various fees, resulting in a decrease in revenue of \$643,472 in FY 2007-2008 and an increase in revenue of \$223,946 in FY 2008-2009. The Subcommittee approved 17 of the 28 new positions recommended by the Governor, which consist of 11 financial institution examiners, 4 compliance/audit investigators and 2 administrative assistants. These positions are recommended to assist the agency in meeting its statutory requirements to examine all mortgage lending branch offices annually.

CHAIR RAGGIO:

Will the new positions allow them to accomplish that?

Ms. COFFMAN:

No, it will not. If the new positions are approved, they would only be able to meet approximately 58 percent of the examinations.

CHAIR RAGGIO:

If the agency is required by statute to examine all the mortgage lending branches, why is the Subcommittee recommending fewer positions than necessary?

SENATOR BEERS:

Because the agency has a low reserve, a letter of recommendation was issued directing them to evaluate their fee and revenue structure and report back on developing a proper staffing plan.

CHAIR RAGGIO:

They would not be able to implement the plan until the next biennium. I am concerned about all of the problems that have resulted in this area. I do not want to substitute my judgment for the Joint Subcommittee's judgment, but are we doing an adequate job here in meeting the need?

SENATOR BEERS:

We are improving on meeting the needs and are hopeful the agency can use judgment in better managing their risk assessments and deciding which companies to audit.

SENATOR TITUS:

Are these positions funded by fees? If we raised the fees could they then have more positions to oversee the businesses that have been ripping off a lot of Nevadans recently?

MS. COFFMAN:

Yes. The positions are funded by fees. They have one fee that is flexible and can be increased or decreased. During the 2006 interim, the fee was reduced from \$170 to \$100. At that time, they had a reserve issue. The agency currently has about \$6.8 million in reserve. The agency increased their position count to reduce the reserve. However, in the Governor's recommended budget, the agency overstated their revenues and that is the reason the positions were reduced.

SENATOR TITUS:

Did the Joint Subcommittee consider allowing the agency to raise the fee to hire the additional positions?

SENATOR BEERS:

The agency already has that authority.

SENATOR TITUS:

Can we mandate that, since this is a position coming out of the Governor's office? We have raised fees in other budgets to help with oversight of the industry.

MS. COFFMAN:

The fee is set by the Commissioner, so it is up to him to decide whether or not it should be increased. If additional funds were provided, he could increase the positions.

SENATOR TITUS:

If we said we want the agency to have 25 new positions instead of 17, could they pay for that by raising the fees?

MS. COFFMAN:

If the fees were raised to the maximum amount, that would provide the agency with approximately \$1 million in additional revenue annually.

CHAIR RAGGIO:

We are going to hold this budget. I am concerned about the number of complaints and the number of problems that have occurred in this area. When we impose a statutory duty to examine all of the businesses annually and we do not provide the authority for them to do so, that poses a problem. I would like you to contact the agency regarding what plan they would have to meet that requirement and get it to us tomorrow.

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SENATOR BEERS:

Could we include in the request that they give us an evaluation of the possibility of outsourcing some of the investigations?

CHAIR RAGGIO:

We will hold this budget account open until we get that information.

At this time, we will hold the remainder of the Department of Business and Industry budget closings to our next meeting. The meeting is adjourned at 7:04 p.m.

RESPECTFULLY SUBMITTED:

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Anne Vorderbruggen,  
Committee Secretary

APPROVED BY:

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Senator William J. Raggio, Chair

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