

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session
February 26, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:05 a.m. on Monday, February 26, 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:

Laura Freed, Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Melinda Martini, Program Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Cynthia Clampitt, Committee Secretary

OTHERS PRESENT:

Michael D. Pennington, Public Policy Director, Reno-Sparks Chamber of Commerce
Stephen McFarlane, Ph.D., President, Challenger Learning Center of Northern Nevada
Steven Burt, Acting Director, The Ridge House
Paul T. Killpatrick, Ph.D., President, Great Basin College
Gerald Ackerman, Associate Director, Rural Programs, Center for Education and Health Services Outreach, School of Medicine, University of Nevada
Carl Diekhans, Vice President, Administrative Services, Great Basin College
Kimberly McDonald, Foundation for Positively Kids
Fred Schultz, CEO and Founder, Foundation for Positively Kids
Judith A. Pinkerton, Executive Director, Center for Creative Therapeutic Arts
Tim Rubald, Executive Director, Division of Economic Development
Henry J. Pinto, Executive Director, Valley Center Opportunity Zone
Charles Geocarís, Director, Division of Motion Pictures (Nevada Film Office, Commission on Economic Development
Robin Holabird, Deputy Director, Division of Motion Pictures (Nevada Film Office), Commission on Economic Development
Tim Maland, Director, Division of Tourism, Commission on Tourism
Debra Dudley, Publisher, Division of Publications, Commission on Tourism
Steve Woodbury, Deputy Director, Division of Tourism, Commission on Tourism
Tim Horgan, Information Technology Manager, Commission on Tourism
Andrew Clinger, Director, Department of Administration

Jim Vanden Heuvel, Chief Executive Officer, Reno-Tahoe Winter Games Coalition

CHAIR RAGGIO:

There are preliminary matters to consider prior to the agenda items.

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

I have distributed the Senate Committee on Finance Progress Report as of February 26, 2007 ([Exhibit C](#)). The Committee will review, by the end of this week, 248 of the 426 budgets in the *Executive Budget*. It represents 58 percent of the budgets. Nine bills have been referred to the Committee, but none will be heard this week. Six of the bills are scheduled for the following week.

Two of the 104 Capital Improvement Program (CIP) projects have been reviewed. Twenty others have been scheduled in the current week.

I have also distributed a memorandum ([Exhibit D](#)) from Ms. Joi Davis, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), listing positions that have been vacant for eight months or longer. This information was extracted from the Financial Systems, Human Resource Data Warehouse.

Additionally, information is provided regarding a one-time supplemental appropriation provided during the 2005 Legislative Session to the M2 Foundation for Kids ([Exhibit E](#)). It details a \$100,000 donation the entity provided to other non-profit organizations in southern Nevada.

I have also provided a list of Governor Recommends Budget Amendments ([Exhibit F](#)). Through last week, 17 budget amendments have been received from the Budget Division, Department of Administration.

SENATOR MATHEWS:

Is information available comparing the positions being requested by agencies to the number of vacancies that have not been filled?

MR. GHIGGERI:

A number of those issues will be reviewed for the Committee as budgets are heard. Staff routinely reviews the number of requests for new positions versus vacancies.

SENATOR MATHEWS:

Will that information be made available to the Committee?

MR. GHIGGERI:

If there is a new position/vacancy issue, it will be noted as budgets are reviewed.

CHAIR RAGGIO:

Is the Vacancy List, [Exhibit D](#), current as of February 1, 2007? Are there other vacant positions that have been vacant for less than eight months?

MR. GHIGGERI:

That is correct.

SENATOR BEERS:

The Report on the M2 Foundation ([Exhibit E](#)) appears to include only one-half of the appropriation.

MR. GHIGGERI:

That is correct. The Legislation required the entity to provide a report to the Interim Finance Committee (IFC) prior to December 15, 2006. The report was provided at the January 19, 2007, IFC meeting. Upon review at that time, the entity indicated they had donated \$100,000 without further explanation. They reported it as being spent in the booklet that was provided to the Committee on February 5, 2007. We are requesting the information in [Exhibit E](#) be filed with the booklet provided on February 5 to complete the information.

CHAIR RAGGIO:

The issue is, how has the remaining appropriation of \$100,000 been used?

MR. GHIGGERI:

I will refer to the booklet and provide that information to the Committee.

CHAIR RAGGIO:

We would like the complete information when it is available. There are a number of entities who are in attendance to make presentations requesting bill drafts. When requesting a bill draft before the Committee, the entity should have written information including a project budget. This hearing is only for the purpose of determination of whether or not to request a bill draft. It is not the time for a complete hearing on the project. Give the Committee sufficient information to indicate the purpose and nature of the proposal. Ordinarily, testimony from one person is sufficient for this purpose.

MR. MICHAEL D. PENNINGTON (Public Policy Director, Reno-Sparks Chamber of Commerce):

We are requesting a bill draft to address workforce-development needs in Nevada, especially in Washoe County. With me today is Ms. Dee Schafer-Kruper, Immediate Past President of the Chamber and Mr. Fred Boyd, Interim Chief Executive Officer.

In 2006, the Reno-Sparks Chamber of Commerce identified workforce development as a signature issue facing the business community. In response, Ms. Schafer-Kruper identified key stakeholders representing the business and education communities. She asked them to dedicate 2006 to addressing the issue. One result is the request before this Committee today.

I have provided a memorandum titled "Workforce Development Challenge Grant Program" ([Exhibit G](#)) and a one-page document ([Exhibit H](#)) providing budget detail.

Education and training represent the foundation on which individual, company and economic growth will occur. The skills and knowledge needed in today's workforce have changed drastically over the past fifteen years. As new technologies are employed, skill sets are rapidly shifting. Many current and prospective companies in northern Nevada have critical needs in this area. If we are to be competitive, we must build the skills needed for quality jobs.

The Workforce Development Challenge Grant is a public/private partnership solution, one of many. It will provide training for a new workforce as well as retraining for existing employees and the underemployed. Participating businesses and industries will match the requested appropriation dollar-for-dollar.

We will allow those who complete the job training to move into positions of employment. The Grant is focused on the integration and partnership between business and education by identifying and training a workforce for high-demand industries in northern Nevada. I will highlight provisions of the proposed Grant.

It places the ownership and accountability on businesses to develop the necessary training for skill-set demands of business and industry. The Workforce Development Grant Program establishes a business-led oversight committee with collaboration from business organizations and educational institutions to provide guidance to the Program, and to be responsible for reporting progress to the Legislature and the Governor. It creates a Grant to be allocated to and administered by Nevadaworks, the fiduciary agent. We are requesting \$2.5 million over the biennium.

Guidelines are established for incumbent-worker training and customized-job training to prepare emergent workers. It affords innovation and creativity to fill gaps and needs that do not exist in State-sponsored programs. It also allows no more than 4 percent of the State allocation to be expended or utilized for administrative costs by Nevadaworks as the fiduciary agent.

CHAIR RAGGIO:

How many companies are anticipated to participate in the Program?

MR. PENNINGTON:

Of those companies surveyed, 29 percent of our members said they would privately invest up to \$25,000 annually if the Program is approved. Based upon the results of the summer of 2006 survey, it is feasible 25 to 44 companies could participate annually, with an average matching contribution of \$25,000 each, bringing the total annual award to within a range of \$625,000 to \$1.25 million.

CHAIR RAGGIO:

Would the companies match the amount funded by the State?

MR. PENNINGTON:

It would be 100-percent matching funds from participating businesses.

CHAIR RAGGIO:

Is it your testimony the Program would also serve the underemployed?

MR. PENNINGTON:

That is correct.

SENATOR MATHEWS:

Would the Program receive any federal funding? The proposal seems to wave a red flag, given what is currently occurring in Las Vegas.

MR. PENNINGTON:

I will respond to your question through Mr. Tom Fitzgerald. I believe there is a federal component. I am not aware of the amount.

SENATOR MATHEWS:

You can provide the information when the bill is heard. I want to ensure the Program is clean before we allocate funds to it.

SENATOR BEERS:

I checked the Website for Nevadaworks, and I find no performance indicators.

MR. PENNINGTON:

I will talk to Mr. Fitzgerald and ensure all questions are addressed should we have a hearing on this measure.

SENATOR BEERS MOVED TO REQUEST A BILL DRAFT FOR THE
WORKFORCE CHALLENGE GRANT PROGRAM IN THE AMOUNT OF
\$2.5 MILLION.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION PASSED. (SENATORS CEGAVSKE AND TITUS WERE
ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:

A bill draft will be requested. Please let staff know who needs to testify when a hearing is held for the measure.

STEPHEN MCFARLANE, Ph.D. (President, Challenger Learning Center of Northern Nevada):

Mr. James Johnson, Treasurer, Challenger Learning Center, is with me at the table today. We represent the 15-member all-volunteer Board for the Challenger Learning Center.

Twenty years ago, when the Challenger space module exploded and the seven astronauts were lost, the families worked together to establish Challenger learning centers as a memorial. It was approved by the U.S. Congress to excite children in the fields of math, science, engineering and medicine.

Since that time, 56 centers have been established across the nation. There is also a center in Canada and one in Great Britain. We are requesting a center be established in the State of Nevada.

The Challenger Learning Centers are nonprofit organizations. The intent is to have a center to simulate missions to Mars, the moon and to rendezvous with comets. It is based on the national center where there is a mock-up of a National Aeronautic and Space Administration (NASA) Mission Control and the International Space Station. Individuals from elementary school to adulthood can go to the national center and fly two-hour missions. They solve problems and learn teamwork and decision-making. The problems are all intended to result in a successful mission. The more successful an individual is, the more problems they encounter.

A dozen centers will be opening this year across the country. Everyone who has attended the centers has found them to be an exciting experience for youngsters. The closest one to Nevada is in Sacramento, California. It has a six-month waiting list. I have taken three groups there in the last three years. Another group is going in April 2007. We have taken youngsters, prospective donors and members of the Challenger Learning Center Board.

The centers are intended to teach the teamwork skills necessary for individuals who will be leaders in the next century. I have provided the Committee with a packet containing a fact sheet about the centers and a budget for the request ([Exhibit I](#), original is on file in the Research Library). The total cost of a center is \$1.5 million. We are asking for \$100,000 in State funds as seed money. We have approached a number of donors who are willing to contribute if the State provides a portion of the funding.

The intent is to fund the Center largely through donations, gifts and grants. Other centers have been established with similar backing. The Sacramento Center received seed money as a loan from Sacramento County that has been paid back over time. Within three years, Challenger Learning Centers have become self-supporting.

CHAIR RAGGIO:

Is this a nonprofit organization? What is the actual name of the project?

DR. MCFARLANE:

It is a nonprofit organization. The name is the Challenger Learning Center of Northern Nevada. We are registered and incorporated with the Office of the Secretary of State. We have a memorandum of understanding (MOU) with the Desert Research Institute (DRI) Research Foundation for a 501c3 status. That information is outlined in [Exhibit I](#).

SENATOR COFFIN MOVED TO REQUEST A BILL DRAFT FOR \$100,000 TO FUND THE CHALLENGER LEARNING CENTER OF NORTHERN NEVADA.

SENATOR RHOADS SECONDED THE MOTION.

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

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CHAIR RAGGIO:

The Committee will request a bill draft and advise presenters when a hearing is scheduled.

MR. STEVEN BURT (Acting Director, The Ridge House):

Mr. Terry Hubert, Board President, is with me at the table today. The Ridge House is requesting a bill draft in the amount of \$1,627,500 over the biennium or \$813,750 annually. The Ridge House will use the funding to expand current services to treat additional individuals who are reentering society from prison. I have provided the Committee with a four-page document ([Exhibit J](#)) giving details of the request.

Nevada currently holds 12,770 inmates in its 10 facilities, managed by the Nevada Department of Corrections (DOC). Costs for the prison system include substantial amounts for new construction to keep pace with prison-population growth. In addition, significant resources are required to serve the current population of inmates, parolees and individuals recently released from incarceration.

Dr. James Austin, President, JFA Associates, reported to legislative committees on February 22, 2007, that additional post-release treatment services are necessary in Nevada. In an article in the *Reno-Gazette Journal* on February 25, 2007, retired Supreme Court Justice Mr. Bob Rose and Justice James Hardesty reported, "It is ill-advised to remove people from society without providing new survival tools. Those inmates will be dumped back on the street without the skills to live responsibly and productively."

The Ridge House has proven the reentry program is effective in reducing recidivism. The DOC reports their recidivism rate as 26.37 percent. Graduates of the Ridge House have a recidivism rate of 9 percent. The DOC is proposing the addition of prison beds at a cost of \$200 million. Dr. Austin asserts this is not the way to go. Strengthening the probation and parole system and adding treatment beds for reentry are better uses of Nevada's financial resources. The average daily cost for one inmate in the State facilities is \$52.92. That amount includes operating funds for the facilities, but does not include funds needed to build additional facilities.

The Ridge House will serve 150 clients in residential services at a cost of \$50 each day. It will offer outpatient services to over 300 clients daily at a cost of less than \$6 a day. Over 4,000 inmates will be released in 2007.

CHAIR RAGGIO:

How long does an individual stay at the Ridge House? I am aware it has been in operation a long time.

MR. BURT:

An individual in the inpatient program has a stay of 90 days and a year thereafter in outpatient treatment.

CHAIR RAGGIO:

What activities are residents involved in during their 90-day stay?

MR. BURT:

They participate in intense treatment services including group therapy, individual therapy, life skills and 12-step meetings.

CHAIR RAGGIO:

Are the residents of the Ridge House offered employment opportunities during their stay?

MR. BURT:

They are required to obtain employment within seven days of their release from the inpatient program. The individual works during the day and returns to the program in the evening.

CHAIR RAGGIO:

How many residents can the Ridge House currently house?

MR. BURT:

We currently have 27 licensed beds with the capacity to grow to 40 beds at any time. Additional funding is needed to obtain licensing for the additional beds to reach a 40-bed capacity.

SENATOR CEGAVSKE:

Is there a similar facility in the Las Vegas area?

MR. BURT:

There is not. We attempted to collaborate with another agency several years ago, but it did not work. Currently, The Casa Grande Transitional Center, a State facility, is the nearest program to Ridge House in southern Nevada. It operates 400 beds for men. It does not necessarily offer treatment beds. It is a work/reentry program.

SENATOR CEGAVSKE:

Is there no treatment provided?

MR. BURT:

There are minimal treatment opportunities with referrals to treatment clinics.

CHAIR RAGGIO:

How long has the Ridge House been in operation?

MR. BURT:

The Ridge House was opened in 1982.

CHAIR RAGGIO:

What are the funding sources for the Ridge House?

MR. BURT:

We receive funding from the Substance Abuse Prevention and Treatment Agency. There is funding from a Justice Assistance Grant, the Byrne Grant. We also receive donations, foundation grants and client fees.

CHAIR RAGGIO:

Why is additional funding necessary?

MR. BURT:

Three years ago, the Bureau of Justice awarded Ridge House approximately \$900,000 on an annual basis, but that funding is no longer available. The Ridge House has been struggling since then but has been able to keep going. With the current publicity about reentry services and prison population growth, we feel it is important to request funds for the Program.

CHAIR RAGGIO:

Is there no federal funding available?

MR. BURT:

Minimal federal funding is available.

CHAIR RAGGIO:

In essence, would the request you are making replace federal funding?

SENATOR BEERS:

Was the federal funding canceled, or were the funds redirected?

MR. BURT:

Those funds are no longer available.

SENATOR COFFIN:

I am aware some individuals from the Las Vegas area are sent to halfway houses in the Reno area.

MR. BURT:

There are three unlicensed halfway houses in Reno.

SENATOR COFFIN:

Is the Ridge House licensed?

MR. BURT:

That is correct.

SENATOR COFFIN:

Would the Division of Parole and Probation, Department of Public Safety, have sent an inmate to an unlicensed facility?

MR. BURT:

It happens. If the Parole Board stipulates the inmate needs residential treatment upon their release, the case-management worker at the prison sends them to whichever program has space at the time.

CHAIR RAGGIO:

The Chair and Senator Mathews have been aware of the Ridge House and consider it a well-run program. Their recidivism rate of 9 percent is admirable when compared with double-digit numbers for most releasees.

SENATOR COFFIN MOVED FOR A BILL DRAFT REQUEST FOR \$1,627,500
OVER THE BIENNIUM IN FUNDING ASSISTANCE FOR THE RIDGE HOUSE.

SENATOR CEGAVSKE SECONDED THE MOTION.

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

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CHAIR RAGGIO:

The Committee will request the bill draft and presenters will be notified of the date and time of the hearing.

For all entities requesting bill drafts today, the motion to request a bill draft is not a commitment on the part of the Committee to pass the resulting bills. We are accepting the request, a hearing will be set, and the Committee will then determine whether or not to pass the legislation.

SENATOR COFFIN:

I feel we should consider all requests. Naturally, I will vote to introduce these pieces of legislation, but when it comes to a vote on the bills, I will be thinking of my personal legislation first.

PAUL T. KILLPATRICK, PH.D. (President, Great Basin College):

With me at the table are Mr. Gerald Ackerman, Associate Director, Rural Programs, and Mr. Carl A. Diekhans, Vice President, Administrative Services.

We are requesting funding for a health-professions inter-disciplinary training and clinical services center. The mission is to establish this training clinic in Elko, and serve the needs of those with financial-access barriers for care. The unit will ultimately support the academic development of an inter-disciplinary rural-health training program for medical and other health-profession students.

The funding will be used to provide an accredited rural training track for family-medicine residents focused on a two-year on-site training experience. The site will also provide a rural training center for dental students and residents and establish a federally-qualified health center and possible Veterans' Administration (VA) clinic.

The idea began approximately two years ago, when the Great Basin College was approached by the Elko County General Hospital which had purchased a VA local clinic. I have provided the Committee with a brochure on the clinic ([Exhibit K](#)). This is a 32,000 square-foot building. The Hospital offered the College a ten-year no-cost lease. We considered the proposal for development of training classes. While in the fundamental stages of a plan, we were also approached by the VA to consider collaboration on an outreach project and by the Rural Health Center to consider offering training and to treat those who receive Medicare and Medicaid. Many individuals on those programs in the Elko area had been going to the hospital for basic treatment. They could have been treated at a clinic if a clinic were available.

MR. GERALD ACKERMAN (Associate Director, Rural Programs, Center for Education and Health Services Outreach, School of Medicine, University of Nevada):

The VA Medical Clinic is open. It is one of the first in the western United States and serves as a model clinic. The clinic opened in January 2007 and has already reached its capacity of 250 veterans utilizing Centella Medicine Systems to link with the Salt Lake City, Utah, Veterans' Administration Center. It is saving the veterans trips to Salt Lake City for basic needs such as medication monitoring and blood-pressure checks.

Other partners include Elko County, the Nevada Rural Health Centers, the University of Nevada, Reno (UNR) School of Medicine and the University of Nevada, Las Vegas (UNLV) School of Dental Medicine. Five dental students rotated through the Center last year. Students in the Masters of Public Health Program also did rotations at the Center. Rotations have also been done by students of private institutions such as Touro University.

In its short period of operation, there have been 4,000 medical clinic patients and 1,500 patients for the dental clinic. Approximately 16 percent of patients are on Medicaid, approximately 19 percent are on Medicare and 41 percent are served on a sliding-fee scale.

CHAIR RAGGIO:

Is the clinic actually in operation?

MR. ACKERMAN:

The front portion is open.

CHAIR RAGGIO:

What is requested in the bill draft?

CARL DIEKHANS (Vice President, Administrative Services, Great Basin College):

The request is for funds to complete the remodel of the remainder of the facility. The back page of [Exhibit K](#) diagrams the facility in six shades. The uppermost blue portion has been remodeled through community support. The community provided funding of approximately \$102,000. The College has invested approximately \$112,000. The pink area nearest the bottom has also been remodeled. It is the oral health clinic, which was supported in the 2003 Legislative Session when the oral clinic was a part of the Community College of Southern Nevada's Smiles for Miles Program. Former Senator Rawson supported that legislation.

The larger orange area to the left is a shared area for an immunization-action plan and classrooms.

The facility also has a radiology laboratory. The College's Radiology Program is currently housed at the clinic. The bill draft request is to complete the remodel of the large area to the right and a small area within the portion on the left. The basement is wide open and in need of remodeling. Approximately 22,000 square feet need completion.

Future plans include moving the associate degree of nursing, bachelor of science in nursing degree and certified nursing assistant (CNA) programs to the clinic. We also want to include ultrasound and phlebotomy programs.

Through another grant, we have hired a consultant to create a human-services program.

CHAIR RAGGIO:

How much is your request?

MR. DIEKHANS:

We are requesting \$750,000.

CHAIR RAGGIO:

Is that the cost of the remodeling certain areas of the clinic?

MR. DIEKHANS:

That is correct.

CHAIR RAGGIO:

Was this budget request submitted to the Board of Regents?

MR. DIEKHANS:

No, Senator Rhoads requested we submit the bill draft request.

CHAIR RAGGIO:

Why was this not submitted to the Board of Regents as a portion of the budget of Great Basin College?

MR. DIEKHANS:

We have been working with U.S. Senator Harry Reid's office to request a federal appropriation because of our interaction with the rural health clinics and veterans. We were notified approximately two weeks ago that the request would not be authorized.

SENATOR MATHEWS:

Was the building originally completed? Did it serve as a health clinic prior to the current users?

DR. KILLPATRICK:

That is correct. It was a fully-functional clinic. It was completed when the Northern Nevada Regional Hospital purchased the building to bring physicians directly to patients. Due to its age, it is now in need of repair.

SENATOR MATHEWS:

Has the facility sat vacant for a while?

MR. DIEKHANS:

It has been vacant for four or five years. The 5,738 square feet upstairs that has not been remodeled is primarily a series of 10-foot by 10-foot treatment rooms. Some of those will remain as faculty offices. Certain walls must be removed to make room for nursing laboratories and classrooms. The basement is fairly open. It was the business area. Laboratories and classrooms are needed in that area as well.

SENATOR RHOADS:

The opening of the clinic has helped meet the medical needs in rural Nevada. The number of patients using the facility is steadily increasing.

SENATOR RHOADS MOVED TO REQUEST A BILL DRAFT FOR THE CENTER FOR RURAL HEALTH REMODEL IN THE AMOUNT OF \$750,000.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION PASSED. (SENATORS TITUS AND COFFIN WERE ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:

Senator Coffin indicated he wished to vote "aye" on this measure, and we will allow him to voice his vote upon his return.

The bill draft will be requested and the presenters will be notified when the measure is set for a hearing.

MS. KIMBERLY McDONALD (Foundation for Positively Kids):

The founder and chief executive officer (CEO) of the Foundation, Mr. Fred Schultz, is with me at the table.

Positively Kids is an organization that assists medically-fragile and terminally-ill children.

MR. FRED SCHULTZ (CEO and Founder, Foundation for Positively Kids):

I began the nonprofit organization in December 1999 for the purpose of caring for children who are medically fragile and have long-term chronic illnesses. It could include an acuity level from something simple, to children on a ventilator or who experienced a near drowning. We have been providing services since our founding, but the numbers of children in need has risen greatly, and we are unable to serve all children requesting our services.

Three programs are in place, including a non-funded Therapies Program in which we utilize small grants and donations to provide services. We are also licensed as a home-health agency by the Bureau of Licensure and Certification, Health Division, to provide skilled-nursing care in the homes of children. We are the only home-health agency which provides pediatric care in homes. The third program is the Skilled-Respite Program. We received a small amount of funding from the Fund for a Healthy Nevada through the Tobacco Task Force funds. Respite care provides relief for caregivers of the children. Skilled-respite care is not a grandma in a rocking chair, reading a story to a child. It is an individual licensed as a registered nurse, licensed-practical nurse or CNA. We have recently received requests for medical day care services. No such programs are available at this time.

Positively Kids receives approximately 50 referrals monthly and must turn away approximately 30 percent of them due to a lack of funding. We are requesting an appropriation of \$500,000 to continue programs and increase the number of children served.

CHAIR RAGGIO:

Is your request for \$500,000 in the 2007-2009 biennium?

MR. SCHULTZ:

That is correct.

CHAIR RAGGIO:

All appropriation requests should include a budget for the requested funding and all revenue sources. How is Positively Kids currently funded?

MR. SCHULTZ:

A portion of funding is received from fund-raisers. Families who can make moderate payments are assessed according to a sliding-fee schedule. The hourly cost for care of one medically-fragile child ranges from \$65 to \$135.

SENATOR MATHEWS:

One of the items in the packet of information provided to the Committee ([Exhibit L](#), original is on file in the Research Library) lists your corporate partners. What level of funding do they provide?

MR. SCHULTZ:

The corporate partners provide in-kind services such as a clothing donation program. We sponsor 125 clothing donation boxes in the Las Vegas area. We receive 32 cents for each pound of clothing donated. Some of the corporate

partners simply provide a location for clothing donation boxes. Not all are financial partners.

SENATOR MATHEWS:

Are any of the partners on your list in [Exhibit L](#) financial partners?

MR. SCHULTZ:

No, they are not.

SENATOR CEGAVSKE MOVED TO REQUEST A BILL DRAFT TO PROVIDE \$500,000 TO CONTINUE PROGRAMS OF THE FOUNDATION FOR POSITIVELY KIDS.

SENATOR BEERS SECONDED THE MOTION.

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

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CHAIR RAGGIO:

A bill draft will be requested. Senator Coffin, did you wish to be recorded as voting aye on the previous motion for the Great Basin College, Center for Rural Health?

SENATOR COFFIN:

That is correct.

MS. JUDITH A. PINKERTON (Executive Director, Center for Creative Therapeutic Arts):

I am presenting this request on behalf of music therapists in both Reno and Las Vegas requesting a collaborative model to fund music therapy statewide. I will present comprehensive information about music therapy in a request for a bill draft, funding statewide services, recognizing music therapy as an occupation and establishing the first university degree program in Nevada.

Music therapy is successful in achieving nonmusical goals for a variety of populations and all ages and cultures. The material in the packet ([Exhibit M](#), original is on file in the Research Library), will detail the ten populations and their functional outcomes. As an example:

Matthew was an infant who had part of his brain removed due to seizures. His mother participated in the sessions. Within a few months of treatment, Matthew was meeting developmental milestones because he engaged with his environment and his mother was able to dissolve her barriers by discussing the horrific decisions that were essential for her baby's survival.

We have watched neighboring states increase their numbers of music therapists dramatically because they started degree programs. There are 7 music therapists in Nevada, compared to over 400 in Arizona, California, Utah and Oregon. These 4 states now provide 6 of the 74 degree programs offered nationally. They also provide 25 internship sites. Nevada has no degree program and only one internship site that began operation today.

The specific intern is relocating from Texas where there are 6 degree programs and 12 internship sites. She wants to come to Nevada because it has the children-in-grief population she desires to assist. Child Haven has established a program for an intern to work with their children. We now have the resources to attract students who have over 200 internship sites nationally from which to choose. During 2005, over 4,000 music therapists served over 1.5 million individuals nationally, compared to Nevada's 7 music therapists serving less than 2,000 individuals.

Thirty-one states directly fund music therapy. Seven states, including Arizona, provide services through Medicaid waivers. Nevada provides no Medicaid-waiver funding. Since 2004, we have been discussing these concerns with the Division of Health Care Financing and Policy. We have been encouraged to seek Medicaid-waiver funding through legislation.

Cost-effective gains exist through the populations we serve. For example, other states with music therapy and neonatal intensive-care units save as much as \$2,500 daily. Music therapy decreases the length of stay for premature babies because weight gain, a sucking response and oxygen intake improves significantly. For adults, medication for pain, anxiety and depression can be reduced. Hospital stays are decreased because patients are motivated to become involved in treatment. Music therapy reduces the amount of hospital staff needed for procedures. Cost gains are seen when morale improves, resulting in less sick time and increased productivity.

Cost gains can also be achieved through music-therapy-research grants from the National Institute for Health. I have personally conducted several studies, one for the UNLV that significantly reduced unsettledness. The UNR and the UNLV are interested in providing a music therapy degree program; however, the UNLV Fine Arts Department includes it on their strategic plan, while the UNR lacks space and faculty consent to consider a program at this time.

Our goal is to receive approval from the Board of Regents, and with State seed money, to hire the music therapy director who will develop the program proposal required for national approval.

CHAIR RAGGIO:

What is the status of your request with the UNLV?

MS. PINKERTON:

The program is listed on the strategic plan at the UNLV.

CHAIR RAGGIO:

Is there a procedure that must be followed before a new program can be added? Is it feasible to add a program at the UNLV in Fall 2007, or does their process require additional time?

MS. PINKERTON:

This is the process that must be followed as evidenced in other states. The faculty must first place the program on their strategic plan which has been accomplished after sixteen years of advocacy. Then, it must become a part of the strategic plan for the Fine Arts Department. The Dean of the UNLV Fine Arts Department, Dr. Jeff Koep, has confirmed it is on their strategic plan. I would be happy to provide the Committee a letter confirming that status.

CHAIR RAGGIO:

That will be needed if a hearing is scheduled on the matter. You are suggesting a bill draft for an appropriation of \$1.7 million. For what would the funding be used?

MS. PINKERTON:

The original budget submitted to former Governor Kenny Guinn outlined 11 positions to be funded, including a degree program. Since that time, discussions with Mr. Michael J. Willden, Director, Department of Health and Human Services (DHHS) have caused us to rethink our requests into a collaborative model. Originally, the Center for Therapeutic Arts was to be the fiscal sponsor responsible for the dissemination of funds. For instance, the Notables, a northern Nevada nonprofit organization, would receive funding directly and the divisions within the DHHS would receive allocations for people in need.

I request the Committee's patience in waiting for a new budget proposal. Senators Cegavske, Titus and Mathews received the original budget.

CHAIR RAGGIO:

When will a new budget be prepared and what appropriation will it request?

MS. PINKERTON:

Our request remains \$1.7 million.

CHAIR RAGGIO:

That allocation would fund a course at the UNLV?

MS. PINKERTON:

There would be a four-year degree program at the UNLV. The process would be to hire the clinical director in the first year to draft the degree program. Then, the program must be approved by the Board of Regents, the National Association of Schools of Music and the American Music Therapy Association.

CHAIR RAGGIO:

What did you mean by your intent to restructure your budget?

MS. PINKERTON:

Rather than the funding of 11 positions, it would show specific allocations to a number of departments. Control would reside with the director of the DHHS.

CHAIR RAGGIO:

The problem is requests for bill drafts are onetime appropriations. They do not authorize ongoing funding. You are requesting a university degree program, an ongoing program that must be included in the Nevada System of Higher Education budget.

MS. PINKERTON:

We are requesting an appropriation to fund startup costs of the program.

CHAIR RAGGIO:

These are onetime appropriations. It would not continue beyond that point. If the expectation is a program continuation, we do not fund programs in this manner.

MS. PINKERTON:

The only way a degree program will be funded in Nevada is through State allocations. In talking with Mr. Dan Klaich, Executive Vice Chancellor, Board of Regents, he indicated the Board must approve the program. We are requesting seed money to start the program. We anticipate the program will be self-sustaining after the first year of enrollment.

SENATOR COFFIN:

Please explain the process followed before you were denied funding. I assume you conducted a typical budget-building process?

MS. PINKERTON:

We were not denied funding. The funds were not transferred in the *Executive Budget* from former Governor Guinn to Governor Jim Gibbons.

SENATOR COFFIN:

Did you assume the funding request would continue through the Governor's intervention, or did you attempt other avenues of support?

MS. PINKERTON:

We have faced challenges in requesting State funding for music therapy. Former Governor Guinn became interested in the program. In May 2006, his office contacted us and said they wanted to consider a special appropriation and requested a budget proposal. The budget was submitted in June 2006. On January 12, 2007, I was informed by the Office of the Governor the funding was cut from the *Executive Budget*.

CHAIR RAGGIO:

Please work with Senator Cegavske and Mr. Willden's office to prepare an amended budget. We will defer the request at this time.

MS. PINKERTON:

We will comply with your direction.

CHAIR RAGGIO:

We will proceed with the presentation from the Commission on Economic Development.

ECONOMIC DEVELOPMENT AND TOURISM

MR. TIM RUBALD (Executive Director, Commission on Economic Development):

I have provided the Committee with a document titled "Nevada Commission on Economic Development, Agency Budget Presentation, February 26, 2007" ([Exhibit N](#), original is on file in the Research Library).

Economic development is a process, not an event. It is something we invest in over time. It takes time to develop the types of programs in existence today. The Commission consists of Lieutenant Governor Brian K. Krolicki and six additional members appointed by the Governor. Staff consists of 32 members in 2 offices, one in Las Vegas and one in Carson City. There are 10 staff members in the Las Vegas office and 22 staff members in the Carson City office.

Most of the Commission's focus is on assistance to small businesses. We also perform a small percentage of recruitment of new businesses.

The Commission consistently reviews the competitiveness of Nevada businesses. We compete with thousands of other economic-development organizations across the globe.

One tool of the Program is the incentive program approved by the Legislature. Page 6 of [Exhibit N](#) is the beginning of a list of companies that have received limited-tax abatements over the most recent biennium.

Page 8 of [Exhibit N](#) reflects, during fiscal year (FY) 2004-2005 and FY 2005-2006, the Commission has worked with our 13 partners, 11 rural and 2 urban, to generate over 3,800 above-average wage-primary jobs. An above-average wage is one that is above the statewide average which is currently \$18.12 an hour. For those fiscal years, the average wage of the 3,800 jobs was over \$21 an hour. Most of the jobs also carry a full, and sometimes overwhelming, investment package.

The State's investment in economic development provides significant returns. One return is that of annual payroll per abatement dollar ratio which is \$8.22 on each dollar invested. Most states would be pleased with a 1:1 ratio.

CHAIR RAGGIO:

How is the ratio measured? On page 8 of [Exhibit N](#) the direct benefit is \$8.22, but the total ratio is \$12.03.

MR. RUBALD:

There was \$8.22 of new payroll dollar gains in the State for every abatement dollar invested through grants.

CHAIR RAGGIO:

What does the \$12.03 represent?

MR. RUBALD:

The \$8.22 represents the companies' activities. The total amount of \$12.03 includes the indirect and induced benefits of the overall-economic activity generated by the company entering into business in the State.

CHAIR RAGGIO:

How is that measured?

MR. RUBALD:

We use a variety of econometric-modeling tools. We house three different econometric tools in the Commission. There is a particular tool used for incentives. Every incentive is considered by the Commission is input to the measure. It is based on an emplan; an input/output matrix and the econometric-modeling tool. The program was written approximately nine years ago and is updated annually.

CHAIR RAGGIO:

Page 8 of [Exhibit N](#) shows \$572,752,753 in new payroll dollars were generated through incentives and \$17,597,531 in new property-tax dollars and so forth.

Are you indicating these incomes are all a direct result of the tax abatement, or is that the total?

MR. RUBALD:

The figures shown are the total of what is generated by the companies. Certainly, the abatements, because of the competitiveness of the economic-development industry, are a key factor.

CHAIR RAGGIO:

Are the abatements the only factor?

MR. RUBALD:

The abatements are not the only factor. Most of what we do is working with small businesses. It is not all about bringing new businesses to the State.

The Made in Nevada Program, on page 14 of [Exhibit N](#), is funded solely through membership funds. Most of the members are small-business owners who pay a small fee to join the Program. It allows them the right to utilize certain materials and provides access to seminars sponsored by the Commission. It gives opportunities for the owners to improve their marketing abilities, their product-to-market capabilities and provides them the opportunities to show their products in a number of different venues described on page 14 of the exhibit. A "Made in Nevada" day is scheduled at the Legislature during this Session.

The Global Trade and Investment Program has been a rapidly-expanding activity. Exports have increased three times in the last four years and are currently ranked either first or second in growth. This program also works closely with small businesses. As an example, there is a small dog food company in Eureka that was making \$20,000 to \$30,000 annually in gross sales. After contacting the director of the Global Trade and Investment Program for assistance, the owner now exports over \$1 million annually.

The Office of Diplomatic Relations and Protocol is valuable whenever visitors come to Nevada from other parts of the world. If a trip is planned to other parts of the world to introduce Nevada's business owners in those cultures, we work closely with the Office which consists of one staff member who works with the Governor and other elected officials. I would urge the Committee to utilize the services of the Office in diverse cultural situations.

The Marketing Division is the communications arm of the agency. We work with the Nevada Center for Entrepreneurship and Technology, a private nonprofit organization. Cooperative advertising efforts have been made with the Nevada Development Authority (NDA), the Economic Development Authority of Western Nevada (EDAWN), the Northern Nevada Development Authority and the Sierra Pacific Power Company. Funding has been pooled in the amount of approximately \$560,000 which generated approximately \$2.67 million of advertising equivalency. The figures are from the third cooperative campaign. Page 17 of [Exhibit N](#) is a sample of one of the advertising pieces.

With the change in funding experienced as a result of the 2005 Legislative Session, we have changed our efforts to focus more on rural areas. We work closely with various economic-development authorities. Eleven development authorities were the recipients of \$995,000 as a result. It was a significant

increase from past allocations. Page 19 of [Exhibit N](#) summarizes those allocations.

In addition to those funds, we also created the Nevada Economic Development Fund which allocated \$3.5 million for economic development throughout the State. Of those funds, \$3 million was designated for rural funding and \$500,000 was set aside for blighted-urban areas. The \$3 million has been scheduled for allocation through a competitive process and contracts have been signed. We are currently beginning the allocation process.

CHAIR RAGGIO:
Why has it taken this long to allocate the funds?

MR. RUBALD:
We began the process immediately. An entirely separate program had to be established to provide the funds. We needed to promulgate regulations and develop the forms for applications. Hearings began approximately one year ago and continued for four months; then, the Commission made its decisions. There were staff changes as well.

CHAIR RAGGIO:
What is the total amount of funding for the Nevada Economic Development Fund?

MR. RUBALD:
That total is \$3.5 million.

CHAIR RAGGIO:
What projects will the appropriation fund?

MR. RUBALD:
The allocations for rural funds are listed on page 21 of [Exhibit N](#).

CHAIR RAGGIO:
What remains to be awarded?

MR. RUBALD:
Remaining funds to be allocated are \$350,000 in the blighted-urban project category. We have not received direct applications for those funds.

SENATOR MATHEWS:
I notice funding was allocated for a project on the Pershing County Airport runway. Does the Commission encourage air traffic to an area, such as from Reno to Elko and back?

MR. RUBALD:
We make advocacy efforts in that area. It is an important issue because we serve the entire State and our staff also travel through those airports.

SENATOR MATHEWS:
Are you involved in the Elko County efforts?

MR. RUBALD:
Yes, as much as we can be.

SENATOR TITUS:

Is the \$3 million allocation, referenced on page 21 of [Exhibit N](#), funding a result of my legislation in the 2005 Legislative Session?

MR. RUBALD:

The funds are grant money awarded to the Nevada Economic Development Fund as a result of Senate Bill No. 1 of the 73rd Legislative Session.

SENATOR TITUS:

I am glad to see the results. Has no one applied for the available urban-blight funds?

MR. RUBALD:

There has only been one application of \$150,000. Of the \$3.5 million in the Fund, \$350,000 has not been committed.

SENATOR TITUS:

Will the funds be reverted if they are not spent by a specific time?

MR. RUBALD:

The funds will not be lost due to time constraints.

SENATOR TITUS:

Are you working with the Urban or Latin Chambers of Commerce to encourage applications for the funds?

MR. RUBALD:

Absolutely. Through a different fund, part of a direct grant from the Governor's office to the NDA, \$500,000 annually was provided to the Urban and Latin Chambers to develop an organization to focus on an area in what was formerly known as West Las Vegas. The Chambers have formed an organization called the Valley Center Opportunity Zone (VCOZ). Over the biennium, \$1 million has been granted to the organization, including the \$150,000 from the Nevada Economic Development Fund.

SENATOR TITUS:

Is an ongoing request of the \$3 million allocation included in budget account B/A 101-1526?

MR. RUBALD:

It is my understanding the funding must be requested in a separate appropriation request.

SENATOR TITUS:

The funding is not included in your budget?

MR. RUBALD:

No, it is not.

SENATOR TITUS:

That is a shame. Look at the good projects being funded in rural areas by the initial allocation.

MR. RUBALD:

That is correct. We received nearly \$10 million in requests for allocations from the Fund.

SENATOR TITUS:

The \$3 million appropriation accomplished a great amount of good. I would like to see the appropriation become ongoing funding.

SENATOR RHOADS:

Pages 19 and 20 of [Exhibit N](#) contain a list of new and expanded companies moving to Nevada. Only one is listed for rural Nevada in Humboldt County. Why are more companies not going into rural Nevada? One is listed in Dayton, but it was apparently withdrawn. The rest are in Reno or Las Vegas.

MR. RUBALD:

Rural Nevada is challenging. We have focused more on rural Nevada over the past two years. It is not reflected in this report ([Exhibit N](#)), because the fiscal year ended in June 2006. As I indicated at the beginning of my testimony, this is a process, not an event. There are more businesses committing to establishment in rural Nevada.

SENATOR RHOADS:

Please provide me with a list of companies moving into rural Nevada since 2006.

MR. RUBALD:

I will provide the information to you.

CHAIR RAGGIO:

We will now begin the budgets on today's agenda.

Economic Development - Commission on Economic Dev – Budget Page ECON
DEV & TOURISM-1 (Volume II)
Budget Account 101-1526

CHAIR RAGGIO:

Please discuss the proposed \$10 million allocation from the Unclaimed Property Fund to the Commission on Economic Development. It specifies \$5 million in each year of the biennium to securitize revenue bonding. Is that the Georgia Plan? Describe the program and what it will accomplish. In previous Legislative Sessions, the Senate supported a portion of the concept, but it was not adopted. Will the \$5 million service \$50 million in revenue bonds for these purposes?

MR. RUBALD:

That is my understanding. I have not seen the legislation, nor is this item in B/A 101-1526.

CHAIR RAGGIO:

Is this request not shown in the *Executive Budget*?

MR. GHIGGERI:

The request is in the *Executive Budget*, but not in B/A 101-1526. It is a recommendation by the Governor on the fund balance page to transfer \$5 million each year from the Unclaimed Property Fund to this special purpose.

CHAIR RAGGIO:

Is the Commission prepared to discuss the recommendation?

MR. RUBALD:

I can only discuss the matter on a limited basis.

CHAIR RAGGIO:

We will revisit this recommendation in another hearing. Please give specifics of the General Fund expenditures for \$10.99 million to the regional development authorities. In the 2005 Legislative Session, allocations of \$2.75 million for the NDA, \$1.75 million for the EDAWN each year and \$995,000 among various economic-development organizations were authorized. Is the request in the 2007-2009 *Executive Budget* a continuation of funding?

MR. RUBALD:

The allocation is in the budget for the Commission on Economic Development. I am aware the EDAWN and the NDA would like the language specified as it was in the 2005 Legislation.

CHAIR RAGGIO:

Was a portion of this funding used to support the Commission's advertising campaign?

MR. RUBALD:

A small amount was contributed by the EDAWN and the NDA to the advertising campaign.

CHAIR RAGGIO:

The NDA contributed \$145,000 and the EDAWN contributed \$148,000. Why were the funds routed through the EDAWN and the NDA rather than a direct allocation to the Commission?

MR. RUBALD:

At that time, we did not know what the final budget would contain. The advertising campaign is a partnership. There are two other entities involved. Your suggestion is one possible allocation plan. It has been an ongoing partnership for three years. We hope to develop some type of marketing plan after the first of the fiscal year.

CHAIR RAGGIO:

What is your suggestion if the funds are appropriated in the 2007-2009 biennium?

MR. RUBALD:

The NDA and the EDAWN would like the funding to be allocated the same way it was in the 2005-2007 biennium. It was granted directly from the development authorities to the Commission. The remaining \$995,000 would be allocated to the rural development authorities in the same manner. Additionally,

there is \$500,000 annually from the appropriation to the NDA for the VCOZ. It is currently in the Commission's budget directed to the NDA.

CHAIR RAGGIO:

There was a \$1 million appropriation in 2005 for what was termed inner-city development areas. Is that funding of the NDA within this budget?

MR. RUBALD:

That is correct.

CHAIR RAGGIO:

Can you explain how those funds were utilized?

MR. RUBALD:

The Latin and Urban Chambers of Commerce in Las Vegas formed the VCOZ. It is a functioning organization. Mr. Henry J. Pinto, Executive Director, is in the audience.

MR. HENRY J. PINTO (Executive Director, Valley Center Opportunity Zone):

The VCOZ is a partnership between the Latin and Urban Chambers of Commerce in Las Vegas.

CHAIR RAGGIO:

How was the \$1 million appropriation used?

MR. PINTO:

Much of the funds have not been used. The VCOZ has two purposes. One is to create economic impact in a specific zone, including downtown Las Vegas, North Las Vegas and east Las Vegas. The second is to target blighted areas.

I am charged with creating economic impact in that zone through job creation, improvement of blighted properties, purchases of rental property, capital investments, low-leveraging grants and direct grants to businesses. We offer direct mentoring and training to assist businesses with capacity enhancement.

I have provided a volume titled "VCOZ, the Valley Center Opportunity Zone, A Community Development Corporation, Briefing for Nevada Legislature, Senate Finance" ([Exhibit O](#), original is on file in the Research Library).

CHAIR RAGGIO:

What portion of funding has been used and for what purposes?

MR. PINTO:

Approximately \$800,000 remains to be granted. I was hired on October 1, 2006, to organize the company and get procedures in place. Since the organization was created, more than 100 businesses have made inquiries. We have received 35 general applications. I am the only staff.

CHAIR RAGGIO:

Does the VCOZ receive other funding?

MR. PINTO:

The only funding was from the Nevada Development Authority. We received an additional grant, for \$150,000, from the Commission on Economic Development

based on a special program in a blighted area of North Las Vegas. It was used to purchase two blighted properties. The project is underway for the construction of a child-development center.

Three grants have been awarded for a total of \$130,000. We scrutinize every application carefully which makes the process somewhat slower. I want to ensure if a business receives a grant, it is highly likely to achieve economic impact to the community.

SENATOR BEERS:

When were you hired for your position at the Commission?

MR. RUBALD:

I was appointed the interim executive director in June 2005, and I was appointed by the Governor as the executive director in January 2006.

SENATOR BEERS:

Please consider zero-basing your travel costs for the next budget cycle. Your travel costs are the same in the *Executive Budget* as they were in the last budget cycle. Are you traveling because your budget allocates travel funds rather than traveling on an as-needed basis?

It appears advertising costs have been allocated in the advertising expenditure category in the Base Budget. There is an increase shown in the Base Budget. We need to ensure competitive bidding practices are followed.

MR. RUBALD:

I will provide that information for the Committee.

E-325 Services at Level Closest to People – Page ECON DEV & TOURISM-4

I am not sure how the travel amounts came out to the same figures you requested in the previous Legislative Session. Travel was analyzed significantly. We made an additional request of approximately \$10,000 for both in-state and out-of-state travel. The staff members built their portions of the budget and had requested greater amounts of travel funding. The administrative services officer and I reviewed all requests and reduced the requests. That resulted in the Base Budget figure and the additional request which did not survive the final cuts in the Governor's recommended *Executive Budget*. We are in discussion with staff in the Office of the Governor and have been advised the chief of staff would speak with Chair Raggio.

CHAIR RAGGIO:

Please submit a list of the proposed travel plans with a brief justification.

We will close the hearing on B/A 101-1526 and open the hearing on B/A 101-1527.

MR. RUBALD:

Mr. Charles Geocarlis, Director, Division of Motion Pictures (Nevada Film Office), will discuss that budget. We have provided the Committee with the new 2007 Nevada Production Directory ([Exhibit P](#), original is on file in the Research Library).

Economic Development - Nevada Film Office – Budget Page ECON DEV
& TOURISM-8 (Volume II)
Budget Account 101-1527

CHAIR RAGGIO:

Why is there such a decrease in the activities of the Nevada Film Office (NFO) as indicated in the performance indicators?

MR. RUBALD:

The performance indicators have been reduced because we report those conservatively. Nevada is one of only a few states that does not have any type of incentive program for the film industry. We have worked with Senator Coffin to find additional incentives. Many states, such as New Mexico, buy a portion of feature films so the filming will take place in that state. As with other areas of economic development, the NFO is a competitive industry.

CHARLES GEOCARIS (Director, Division of Motion Pictures [Nevada Film Office] Commission on Economic Development):

The performance indicators reflect a reduction due to the fierce competition we face throughout the country. Most states have a film-incentive program that offers film companies tax credits or rebates. We have not yet seen revenue or project reductions. We anticipate the absence of an incentive program will eventually result in a loss.

Nevada is currently one of the top-ten film centers. We are one of the most progressive and proactive film offices. Surrounding states, such as Arizona, Utah and New Mexico, are enticing film business away from Nevada.

CHAIR RAGGIO:

What type of incentives are other states offering?

MR. GEOCARIS:

New Mexico uses a \$200-million fund to attract the industry. They were at \$7 to \$8 million in annual revenue a few years ago which has increased to over \$200 million annually. Nevada currently has film revenue of over \$100 million. Arizona has a tax rebate and credit system. Many other states, such as Illinois, Louisiana and Wisconsin, also have aggressive film packages.

Film companies can save tens of millions of dollars. They budget Nevada against other states. Nevada will begin losing out if we do not enact an incentive program.

SENATOR COFFIN:

Approximately four months ago, I was contacted by people in film production who stated employment was decreasing because of the industry's choice of other states. With the help of the NFO, I have requested a re-draft of former Lieutenant Governor Lorraine Hunt's bill as Bill Draft Request 1182 in this Legislative Session. I will bring the bill before this Committee for a committee introduction.

BILL DRAFT REQUEST 1182: Makes various changes relating to registered motion picture companies.

CHAIR RAGGIO:

Will the bill be heard in the Senate Committee on Taxation?

SENATOR COFFIN:

I am not sure of the lead chapter at this point. The bill request will have a fiscal impact.

SENATOR BEERS:

What type of mining fund is New Mexico using for its incentive program?

MR. GEOCARIS:

I do not know the details.

SENATOR BEERS:

Is that state using the mining fund to pay taxes that would otherwise be paid by the film industry?

MR. GEOCARIS:

It has been used to establish a mixture of funding.

Ms. ROBIN HOLABIRD (Deputy Director, Division of Motion Pictures [Nevada Film Office], Commission on Economic Development):

New Mexico invests in movies up front and also invests in films which are not allowed under the *Nevada Revised Statutes*. The movie "Suspect Zero" was written for Reno, but our office never saw the script because it went directly to New Mexico for production.

SENATOR BEERS:

What do we know about the funding source in New Mexico? Had the mining fund been used before?

MR. GEOCARIS:

We know they use a mining fund that had not been used before. Many states use personal-income tax funds. Illinois has a 25-percent tax-rebate system. Others have tax incentives as high as 40 percent. We cannot compete with that.

SENATOR BEERS:

If other states are using personal-income tax funds, we are competitive by the fact Nevada has no personal-income tax.

MR. GEOCARIS:

The states that require a personal-income tax are using those funds to finance film efforts. I was not inferring the film-industry employees were exempt or at a reduced rate for personal-income tax.

SENATOR BEERS:

Are the various incentives a new tactic?

MR. GEOCARIS:

No, incentives began approximately twenty years ago when the Canadian government basically cornered all the "movie of the week" business from the United States through incentives. They began a progressive and aggressive campaign to move the business north of the border. States have increased their

aggressiveness over the past five years. Companies will rewrite a script to film in a desirable location.

As an example, "The Dukes of Hazzard" was originally planned for a different location, but was filmed in Louisiana because of their incentive package. The first question we are typically asked is: "What incentives do you have for us?" They formerly asked to see particular locations.

SENATOR BEERS:

If the star of the movie receives, for instance, a \$10-million paycheck, are they facing a \$65,000-payroll tax bill?

MS. HOLABIRD:

No, payroll tax is based on the state of residency.

SENATOR TITUS:

Is most of the funding for the NFO received from room taxes?

MR. GEOCARIS:

I believe 100 percent of the funding is through the room tax.

SENATOR TITUS:

I would suggest a larger portion of room-tax revenues be directed to the NFO to use for incentives. Hotels and conventions benefit, at least indirectly, from good publicity for Nevada from films.

MR. GEOCARIS:

I concur. When film companies work in Nevada, they rent hotel rooms for their crews. I have heard of hotels that make hundreds of thousands of dollars when they house a film crew.

SENATOR TITUS:

They also feature some of the film stars in their clubs while they are here. It would not mean a new tax, only an increase in the allocation from the existing room tax.

MR. GEOCARIS:

That is correct.

CHAIR RAGGIO:

Is decision unit E-175 requesting an advertising contract? Is the contract due for renewal?

E-175 Increase Non-Gaming Business – Page ECON DEV & TOURISM-10

MR. GEOCARIS:

That is correct.

CHAIR RAGGIO:

The *Executive Budget* indicates the contract will cost \$22,200 in each year of the biennium. If the competitive bidding process is followed, how do you know the amount of increase?

MR. GEOCARIS:

Enhancement unit E-175 was requested in anticipation of the rising costs of advertising and publications such as the production directory.

CHAIR RAGGIO:

What is the amount of the total contract?

MR. GEOCARIS:

The actual amount is \$148,000. After contacting our current marketing contractor, Marketing Synergists in Reno, the marketing director advised us to anticipate an increase in terms of printing costs.

CHAIR RAGGIO:

Will the contract be put out to competitive bidding?

MR. GEOCARIS:

A request for proposal will be put to bid in 2007.

CHAIR RAGGIO:

Is it correct the contract may or may not be won by Marketing Synergists?

MR. GEOCARIS:

That is correct.

CHAIR RAGGIO:

I will now close the hearing on B/A 101-1527 and open the hearing on B/A 101-1528.

Economic Development - Rural Community Development – Budget Page ECON
DEV & TOURISM-13 (Volume II)

Budget Account 101-1528

MR. RUBALD:

Budget account 101-1528 represents the Community Development Block Grant Program (CDBG).

CHAIR RAGGIO:

What is the status of the CDBG Program?

MR. RUBALD:

It is a federal program currently funded at the same level as the last federal fiscal year (FFY) through the end of the current FFY through the continuing resolution process. The resolution was passed by Congress on February 15, 2007. The President's budget reflects a significant drop in funding. At this time, all of the participating organizations and the Nevada Congressional Delegation have indicated the proposed budget cut will not be approved and funding will remain static.

CHAIR RAGGIO:

Are states required to match federal funds with a 2-percent allocation? Budget account 101-1528 is recommending a match of 9.6 percent, not including the General Fund salary adjustments. The match would be in excess of 10 percent. What is the reason for the difference?

MR. RUBALD:

The Commission conducts a large amount of rural economic and community development not directly related to CDBG funds. One staff position in B/A 101-1526 works in portions of this function. The remainder of the work, including a variety of responsibilities such as rural leadership development and resource workshops, is the responsibility within B/A 101-1528. It directly affects how the CDBG funds are utilized. The CDBG Program is one of only a few, and perhaps the only, federal program allowed to match other federal funds. It is important to disburse the CDBG funds in Nevada communities to be used as leverage for other federal funding.

CHAIR RAGGIO:

Funding has been decreasing by approximately 7 percent annually since 2002. Your testimony has indicated there may be another decrease in federal funding in the next federal budget. Will the proposed General Fund portion continue to increase to offset federal decreases in funding?

MR. RUBALD:

I would hope not. I do not expect there will be a continued decrease in federal funding. I stated I expect the federal funding to remain static.

CHAIR RAGGIO:

According to our reports, in the 2007-2009 biennium, the budget request is \$2.75 million annually, which is the same as the 2006 allocation. Reports from federal sources indicate the funding will likely decrease to \$2.2 million annually. That represents a decrease of approximately \$500,000.

MR. RUBALD:

That is what is in the President's proposed budget. According to the Nevada Congressional delegation and the organizations we work with in Washington, D.C., Congress will continue to maintain the status of the Program and increase the President's budget request.

CHAIR RAGGIO:

I will now close the hearing on B/A 101-1528 and open B/A 101-4867.

Economic Development - Procurement Outreach Program – Budget Page ECON
DEV & TOURISM-18 (Volume II)
Budget Account 101-4867

MR. RUBALD:

The Procurement Outreach Program works closely with existing small businesses in the State. It is funded through the federal budget.

CHAIR RAGGIO:

It is my understanding this budget account assists firms in procuring the award of government contracts. What is the history of this budget?

MR. RUBALD:

The Program has a strong history. I ask the indulgence of the Committee with regard to the performance indicator numbers. They were called to my attention during the hearing before the Assembly Committee on Ways and Means. We have been working diligently, but are not ready to provide the Committee with updated figures today. We are researching into records dating back

approximately five years, and have found errors in reporting related to confusion of the FFY and the FY. Some numbers were reported as a year-to-date figure.

CHAIR RAGGIO:

According to the performance indicators, the number of contracts received by client firms was decreasing dramatically. Are you stating there are inaccuracies?

MR. RUBALD:

That is correct.

CHAIR RAGGIO:

When can we expect the corrected information?

MR. RUBALD:

I hope to have the information to the Committee by the end of this week.

CHAIR RAGGIO:

We will defer the item. We need to know if the Program is working or if it is a cost factor.

MR. RUBALD:

Based on the information I have at this time, the Committee will see significant improvement in this area. One reason for the delay is the retrieval of archived information from the federal government.

CHAIR RAGGIO:

Why is the *Executive Budget* increase in General Fund support needed for the Program?

MR. RUBALD:

The increase is related to salary increases and the current contract with the federal agency. The salary increase is approximately \$15,000.

CHAIR RAGGIO:

With the understanding the Commission will provide the requested information, I will close the hearing on B/A 101-4867 and open the hearing on B/A 225-1522.

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

MR. TIM MALAND (Director, Division of Tourism, Commission on Tourism):
Joining me at the table is Mr. Steve Woodbury, Deputy Director.

The Commission on Tourism (COT) is chaired by Lieutenant Governor Krolicki and consists of nine other commissioners, two of whom are ex-officio members.

I have provided the Committee with a booklet titled "Nevada Wide Open, Nevada Commission on Tourism, NCOT 2007-09 Biennium Budget Overview, Senate Finance, February 26, 2007" ([Exhibit Q](#), original is on file in the Research Library).

MR. MALAND:

The Commission is authorized under *Nevada Revised Statutes*, Chapter 231, to promote tourism and travel in the State and to publish the *Nevada Magazine* and other promotional material. The funding for the promotion of tourism is 0.375 percent of the room tax; its mission is to generate revenue for the State.

Nevada's number-one industry is tourism, generating over 51.5 million visitors to the State annually. The market is competitive with other states and foreign countries. We must maintain a competitive edge in the market.

Page 3 of [Exhibit Q](#) compares budgets for Nevada and four neighboring states. The \$15 million in the FY 2006-2007 operating budget represents the net amount of transfers out of this budget to date, due to operating transfers for the Department of Wildlife, Nevada State Parks, the NFO and other State agencies.

Currently, the approximately \$15 million spent promoting the State of Nevada is the least amount spent in the five states. I recently learned the California operating budget of \$25 million could be increased to \$50 million in the next year.

The airline industry in Nevada is struggling and moving to replace low-yield domestic travel with high-yield international travel.

CHAIR RAGGIO:

Are you suggesting the room tax be increased?

MR. MALAND:

I do not recommend a room-tax increase.

CHAIR RAGGIO:

That is the source of funding for B/A 225-1522.

MR. MALAND:

The increase in room inventory and room revenue will generate sufficient funds to increase our funding level. However, we must be cautious in the transfer of funding from the agency.

The COT budget strategy is to spend the funds in the highest- and best-use areas and to receive the best returns in response to a competitive marketplace. We intend to increase in efficiency by rationalizing expenses and collateral.

Page 5 of [Exhibit Q](#) reflects the major assumptions on spending from room-tax allocation. We are on track in the current fiscal year forecast at \$18.4 million. Over the next two years, the projected funding should increase by \$20 million in FY 2007-2008 and by \$21.6 million in FY 2008-2009. That will be accomplished through room inventory, new construction and a slight increase in room rates. It is consistent with the five-year-rolling average.

The first enhancement decision unit is E-175.

We intend to "grow" our success through the expansion of television, the Internet- and print-advertising and the e-mail campaign. The statewide photo- and video-shoot needs to be upgraded to current technology. The last technology upgrade was installed when Reno Air was still serving the State. It is technology used to provide information to media partners and travel writers.

We need to increase printing and postage expenditures as a result of the success of print- and television-advertising.

We are requesting a new marketing position. Historically, the agency has been a "print" advertising agency and has been expanded to include all facets of marketing. We are requesting an allocation for the direct advertising of the Division of State Parks and the Division of Museums and History. With the complicated current marketing efforts and expanded responsibility, we need an assistant for the marketing staff person.

Page 7 of [Exhibit Q](#) shows an example of the Cost per Acquisition Campaign. We pay funds only upon the response to an advertising campaign. It has contributed to a 250-percent increase in response to the overall-advertising campaign in a six-month period.

Page 8 of [Exhibit Q](#) shows collateral pieces provided by the COT. Over 2 million pieces were produced in the FY 2007-2008 budget.

Page 9 of [Exhibit Q](#) is an example of the digital collateral available. Currently, individuals can review the Visitor Guide electronically. The Committee might think if the digital collateral can be downloaded and printed by individuals, the COT no longer needs paper collateral. In actuality, responses to advertising have been so strong the requests for paper collateral have increased.

Page 10 shows an example of a national television advertisement. It highlights the Website address of travelnevada.com/tv. We track responses to these advertisements and promote the 1-800-telephone number for requests for fulfillment. Previous media advertisements extended over a variety of television stations. The plan in the coming biennium is to concentrate advertising to those stations from which we have enjoyed fulfillment request successes. Currently, we are focusing on FOX News as well as the Discovery and the Travel channels. We are experimenting with the Discovery Science channel to determine if it will enjoy the same type of success.

CHAIR RAGGIO:

What is the meaning of the statement, "800 Million Gross TV Advertising Impressions" on page 10 of [Exhibit Q](#)?

MR. MALAND:

That means 800 million individuals had the opportunity to see the advertising.

SENATOR BEERS:

I am looking at the television advertisement on page 10 of [Exhibit Q](#). Where does your involvement in the advertising campaign stop and the Reno Convention and Visitors' Authority's begin? This appears to be an urban Reno advertisement. I thought you were marketing the rural advertisements.

MR. MALAND:

The advertising is directed to tourists to suggest activities available beyond urban areas. Certainly, kayaking would be associated with Reno. This particular advertisement was filmed on the Las Vegas Strip and would indicate there were many activities beyond the urban areas. The intent is to encourage tourists to come to Reno or Las Vegas and stay longer or make a return trip to Nevada to partake in adventure travel such as kayaking, mountain climbing or riding mountain bikes.

SENATOR BEERS:

Is your focus still the non-resort experience?

MR. MALAND:

We do not consider it our task to specifically advertise Las Vegas or Reno. However, a great deal of the responses to our advertising result in trips to Las Vegas.

SENATOR TITUS:

The COT produces the *Nevada Magazine* ([Exhibit R](#), original is on file in the Research Library). I seem to recall some reason the magazine is not placed in hotel rooms. If the magazines were placed in hotel rooms, people could see there was another side to Nevada.

MR. MALAND:

We are always looking for distribution channels to extend the subscription base. Distribution of the magazine is planned to attract the top 2 percent of the population in Nevada as a subscriber base and make it more interesting for advertisers.

Placing the *Nevada Magazine* in hotel rooms, although attractive, is usually a problem with the hotels. Hotels have many issues they wish to market and prefer to market choices within their control. The COT would be interested in that venue, but we are not always able to place the magazine in rooms.

SENATOR TITUS:

That is unfortunate. The *Nevada Magazine* is funded by the room tax on hotels and it covers all venues in Nevada.

MR. MALAND:

We are one of only a few magazines able to display its product in the McCarran International Airport in Las Vegas. We are at the mercy of hotel management.

SENATOR TITUS:

I want the record to state clearly, I was not suggesting an increase in the room tax. I was suggesting a redistribution of existing room-tax revenue.

SENATOR BEERS:

Are we giving away copies of the *Nevada Magazine* at the airport?

MR. MALAND:

Yes, we are.

SENATOR BEERS:

What percentage of an issue of *Nevada Magazine* is gifted versus those that are sold?

MS. DEBRA DUDLEY (Publisher, Division of Publications, Commission on Tourism):
I will first respond to the question from Senator Titus. The publications have been allowed in 120 hotels around the State. There are two versions of the *Nevada Magazine*. The complete version, [Exhibit R](#), can be purchased from magazine stores. A smaller 32-page version titled *Events and Shows* ([Exhibit S, original is on file in the Research Library](#)) is also produced. The *Events and Shows* is an overview magazine of 77,000 pieces an issue placed in the McCarran International Airport and the Reno-Tahoe International Airport. The version in [Exhibit S](#) is the free version.

SENATOR BEERS:

Some of the information in the *Events and Shows* is urban attractions?

MS. DUDLEY:

Many urban attractions advertise in the magazine and support it with advertising dollars.

MR. MALAND:

Page 11 of [Exhibit Q](#) graphically depicts the Website visitors. In FY 2006-2007, we anticipate Internet visitors will reach 2.1 million. We believe the number of visitors will increase to 3 million during the 2007-2009 biennium.

Page 12 of [Exhibit Q](#) indicates the value the COT receives from media- and travel-writer relationships. We estimate the value of equivalent advertising space at \$27.5 million in nonpaid-media coverage. We consider it to be a conservative calculation.

Page 13 of [Exhibit Q](#) reflects enhancement unit E-176.

E-176 Increasing Non-Gaming Business – Page ECON DEV & TOURSIM-27

This enhancement unit reflects the COT request to bring certain production and copyrighting services in house to be provided by the Division of Publications (Nevada Magazine) staff. We intend to gain control of certain advertising efforts currently produced by other entities. We are requesting one position to write, copy, edit and proofread, thereby making better use of the Division of Publications (Nevada Magazine).

SENATOR BEERS:

Why would you want to cancel a successful contract service?

MR. MALAND:

We believe we can produce the necessary media more efficiently. It provides us the opportunity to advertise to the same customer base and offer a variety of advertising opportunities.

SENATOR BEERS:

I am trying to understand the correlation between a copywriting service and an advertising group.

Ms. DUDLEY:

In the past, certain publications such as our *Nevada Visitors Guide* ([Exhibit T](#), original is on file in the Research Library) and Travel Planner were outsourced. Advertising was sold in the publications and the revenue was retained by the production contractor. We found it to be a profit center that should be housed within the COT.

SENATOR BEERS:

Was the State receiving revenue from the contracted service? Were we paying for the services?

Ms. DUDLEY:

We were not. It was a zero-dollar contract in which the advertising contractor sold advertising in the publications and retained the revenue. They were making a profit and we felt it made more sense to bring the magazine in house.

SENATOR BEERS:

Is the profitability greater than the cost of producing the publications?

Ms. DUDLEY:

We believe it is. I was involved as an outside contractor in the past and am aware of the revenue produced through advertising in these publications.

MR. STEVE WOODBURY (Deputy Director, Division of Tourism, Commission on Tourism):

Many small in-house projects are ongoing. In the past, we tried to cobble those together with existing resources. We had a graphic design position, but we did not have a copyright position. The position will be used to produce small-niche market pieces or onetime brochures.

MR. MALAND:

Page 14 of [Exhibit Q](#) addresses enhancement unit E-177.

E-177 Increase Non-Gaming Business – Page ECON DEV & TOURISM-27

We are requesting additional funds to attract international markets. We intend to expand our efforts in China where we can exploit a competitive advantage. We now have the ability to advertise directly to consumers. We intend to increase representation in Mexico and to establish an office in India. In FY 2007-2008, the Travel Industry Association's (TIA) Pow Wow will be held in Las Vegas.

CHAIR RAGGIO:

Why are you requesting new representation in India? From personal experience, the office in Beijing, China, is an effective effort. Ms. Karen Chin, the representative in China, does a terrific job. Are we still the only State with an office in Beijing?

MR. MALAND:

I understand there are other states that now have offices in Beijing but Nevada was the first.

India is a market we are considering. I have had discussions with representatives of the Las Vegas Convention and Visitors Authority (LVCVA). They intend to establish new representations in India, Brazil, Russia and China.

However, in addition to speaking with the LVCVA, I have had conversations with members of the TIA and they are establishing a mission in 2007 to investigate the opportunities residents of India have for travel to the United States (U.S.). India is viewed a large market in terms of population, including a burgeoning middle class with disposable income. A significant number of the workforce is well educated with English-language skills. This is a long-term investment for returns in future years.

The TIA Pow Wow is a large trade mission with media coming to Las Vegas, and we hope to extend their stays to participate in familiarization trips to other Nevada locations. We are requesting one new position to assist in international marketing efforts.

SENATOR BEERS:

The host-fund account for the TIA Pow Wow has decreased significantly.

MR. WOODBURY:

The agency faced budget cuts when the Governor's recommendations were received. This was one area of the across-the-board cuts made due to cost-of-living allowances (COLA). Approximately \$800,000 was added to the budget. As we get closer to the event, we will reevaluate and apply necessary resources toward the event. It is an event that occurs in Nevada only once in 20 years.

SENATOR BEERS:

It is always more cost-effective to spend money when a customer comes to you, rather than you having to go to the customer.

MR. WOODBURY:

Absolutely. We are in the early stages of working with communities throughout the State to organize familiarization tours and events associated with the TIA Pow Wow.

SENATOR BEERS:

Should we not plan to do that during the budget process?

MR. WOODBURY:

We could. One week before the Legislative Session began, we received the Governor's budget recommendations. It included several costs we had not anticipated and to make necessary cuts and reduce distress among the various managers, we directed each to cut across the board.

SENATOR BEERS:

Are you suggesting the agency was surprised at the extent of basic cost allocations?

MR. WOODBURY:

We were. There were statewide unclassified-employee adjustments, the COLAs and employee-benefit costs. The unanticipated costs were approximately \$800,000.

SENATOR BEERS:

Did the agency not anticipate those costs?

MR. WOODBURY:

We anticipated the COLA expense, but we had not anticipated other costs.

MR. MALAND:

Page 15 of [Exhibit Q](#) graphically reflects the visitation numbers from China which have increased dramatically and are expected to continue to increase.

Page 16 of [Exhibit Q](#) describes enhancement unit E-178.

E-178 Increase Non-Gaming Business – Page ECON DEV & TOURISM-28

The enhancement unit relates to my earlier testimony in which I stated the COT intends to take responsibility for promoting and advertising Nevada's parks and museums through print, Internet and e-mail advertising. Other media will be utilized as well.

Decision unit E-179 relates to interactive marketing.

E-179 Increase Non-Gaming Business – Page ECON DEV & TOURISM-28

We are requesting additional funds for the purposes of adding video content to the Website and adding an events-input module to assist rural partners and others to provide real-time information and, in the future, add Really Simple Syndication (RSS) feed technology.

CHAIR RAGGIO:

Is your Website contract with Charles Ryan and Associates? The *Executive Budget* recommends a \$100,000 allocation to obtain those services. Please provide justification for that expenditure.

MR. WOODBURY:

Charles Ryan and Associates is the existing contractor. The enhancement unit requests funding for additional functionality. We anticipate utilizing the same contractor for this purpose.

SENATOR BEERS:

I would think this contract could be deleted with the apparent knowledge transfer. The RSS technology is a free service. I am currently using one to provide Legislative Session updates. My Web-hosting service is \$100 annually. Your proposal to bring copyright function in house is more expensive than generating the technology for the RSS feed.

MR. WOODBURY:

We are assuming \$30,000 for the RSS feed technology and \$60,000 for the events-input module.

MR. TIM HORGAN (Information Technology Manager, Commission on Tourism):

The majority of the expense is to be allocated to the events-input module. It will allow the rural partners to update their own information and allow the COT approval rights before information is published on the Website. One of the most popular pieces we publish is the *Events and Shows* magazine ([Exhibit S](#)). The RSS feed technology is for standard news-type information. As events are being continually updated, they will be the most popular feeds.

SENATOR BEERS:
What is your background?

MR. HORGAN:
My background is in database design and local-area network (LAN) and wide-area network (WAN) administration.

SENATOR BEERS:
I am not convinced this contract is necessary. Are we looking for transference of technology? We pay people to write programs and then we administer maintenance and operation in other agencies around the State.

MR. HORGAN:
That is correct.

SENATOR BEERS:
I am not convinced that is what is happening in this module. Please provide the Committee with a written justification of the need for module E-179. I am hearing we do not have sufficient funding for a major-hosting event because of across-the-board cuts.

MR. WOODBURY:
The amount of \$100,000 is a rough estimate. No contract is in place indicating actual costs. If the actual cost is less, we would apply those remaining funds to other uses within the budget.

SENATOR BEERS:
The Legislature expects more exact budgeting proposals than what you are suggesting.

CHAIR RAGGIO:
Heed what was said and provide the requested information to the Committee.

MR. MALAND:
Page 18 of [Exhibit Q](#) details our request in decision unit E-180.

E-180 Increase Non-Gaming Business – Page ECON DEV & TOURISM-29

We are requesting an additional \$10,800 in each year of the biennium. Page 18 of [Exhibit Q](#) lists the additional travel requirements.

Page 19 of [Exhibit Q](#) is decision unit E-225.

E-225 Eliminate Duplicate Effort – Page ECON DEV & TOURISM-29

Staff training is now a separate line item. We absorb the cost, to some extent, within the operations budget. We are requesting \$27,650 in each year of the biennium for specific staff training in marketing and public speaking.

Page 20 of [Exhibit Q](#) reflects the needs of enhancement units E-710 to E-818.

E-710 Replacement Equipment – Page ECON DEV & TOURISM-29

We are requesting the replacement of a shuttle van. It is an older van. We would like to have something that better reflects on the State when we shuttle media individuals and travel trade entities on familiarization trips.

E-720 New Equipment – Page ECON DEV & TOURISM-30

This enhancement unit provides for software licenses enabling staff from different departments to collaborate and share files more efficiently.

E-813 Unclassified Step Adjustments – Page ECON DEV & TOURISM-30

This enhancement unit represents an equity adjustment for unclassified positions.

E-818 IT Contract Unit – Page ECON DEV & TOURISM-30

This unit transfers the information technology contract to the Division of Purchasing, Department of Administration.

Page 21 of [Exhibit Q](#) lists maintenance items in B/A 225-1522.

CHAIR RAGGIO:

What is proposed for the funds remaining in the Base Budget to encourage the Winter Olympic Games to come to the Reno-Tahoe area? I understand the games are not available for 2014. Is the COT making a bid for the 2018 Winter Olympic Games?

MR. MALAND:

That is correct.

CHAIR RAGGIO:

The appropriation was \$125,000 in each year to support Olympic efforts. What is the status of that funding?

MR. MALAND:

It has been allocated to the coalition working to obtain the Winter Olympic Games for the area. We are requesting \$125,000 each year of the 2007-2009 biennium.

CHAIR RAGGIO:

What is the justification for the fund request being placed in the Base Budget? It should be a onetime expenditure.

MR. ANDREW CLINGER (Director, Department of Administration):

We will review that item. If it is a onetime expenditure, it should be moved from the Base Budget. Obviously, it was placed in the Base Budget in contemplation of ongoing expenditures.

CHAIR RAGGIO:

If we are bidding for the 2018 Winter Olympic Games, is it timely to be budgeting for the expenditure in this budget cycle?

MR. JIM VANDEN HEUVEL (Chief Executive Officer, Reno-Tahoe Winter Games Coalition):

The timeline for a 2018 bid will occur in 2008 for a U.S. candidate city. We need to prepare for the 2016 Summer Games bid results in April 2007. Candidate cities for the 2018 Winter Games will be presented in 2007 and a decision will be made in 2018.

CHAIR RAGGIO:

Is it likely the 2018 Winter Games will be held in a U.S. city?

MR. VANDEN HEUVEL:

The odds are good. I cannot assume Nevada can get that bid. However, the Reno-Tahoe area is well positioned to be the U.S. candidate city. Once the U.S. candidate city is chosen, it will move forward to an international bid between 2009 and 2011.

SENATOR BEERS:

Would the budget request be used for bidding of the 2016 Summer Games?

MR. VANDEN HEUVEL:

The U.S. Olympic Committee will not call for a 2018 bid until the 2016 process is complete. In the meantime, we need to be poised for the 2018 bid. The Winter Olympic Games will be held in 2018. The Summer Games will be held in 2016. Currently, Los Angeles and Chicago are finalists for the 2016 Summer Games.

CHAIR RAGGIO:

When will the U.S. city for the 2016 Summer Games be chosen?

MR. VANDEN HEUVEL:

The final U.S. city will be chosen in 2007 and the international decision will be made late in 2008.

SENATOR BEERS:

I assume you will appear during the 2009 Legislative Session at the beginning of the selection process?

MR. VANDEN HEUVEL:

We would be in position to be the U.S. candidate city in 2009.

SENATOR BEERS:

I am confused as to why the level of activity would be as high in the next two years as it was in the last two years.

MR. VANDEN HEUVEL:

The activity level needs to be continuous. I attended a Legacy Conference recently and the chief executive officer of the London Olympics said the bid process is a series of marathons. "You need to stay in the game to move forward in an Olympic bid." We are attempting to develop a continuity of effort. Every bid city chosen in the last 16 years has been in the process for 10 years. Nevada has been in the process since 2002.

SENATOR TITUS:

Will the Olympic process require \$125,000 annually until 2018, or will the funding need increase?

MR. VANDEN HEUVEL:

Based on what happens in 2008 and 2009, our expectation is for the budget request to increase substantially. We are increasing the private-funding budget this year, to add approximately another 150 percent to what was previously allocated in State and private funding and membership funding. We need to increase our activity level both nationally and internationally.

SENATOR TITUS:

Is there a budget document reflecting revenues and expenditures?

MR. VANDEN HEUVEL:

That information was provided to the offices of Assemblyman Arberry and Senator Raggio.

CHAIR RAGGIO:

Please provide a copy to our staff.

MR. VANDEN HEUVEL:

I will provide the information.

SENATOR TITUS:

Will numerous buildings need to be constructed to house events?

MR. VANDEN HEUVEL:

We used Salt Lake City, Utah, as a model. The reality is the Reno-Tahoe bid is ahead of where Salt Lake City was at the same point in the process. We need only one additional venue compared to the three new venues they needed. We have twice the room capacity Salt Lake City had. They had four core operating components in Ogden, Park City, Provo and Salt Lake City, Utah. We would only need three. The expense of operation, logistics and press relations would be significantly less. The potential for moving ahead is we are far ahead. The only major competitor is Denver, Colorado.

CHAIR RAGGIO:

I will now close the hearing on B/A 225-1522 and open the hearing on B/A 530-1530.

Tourism - Nevada Magazine – Budget Page ECON DEV & TOURISM-33
(Volume II)

Budget Account 530-1530

Ms. DUDLEY:

I will provide the Committee with a brief snapshot of the *Nevada Magazine* activities. The *Nevada Magazine* operates as an enterprise fund. Its operation is similar to a private enterprise in that we can only spend revenues we have generated. Revenue is generated through subscription sales and newsstand sales.

CHAIR RAGGIO:

The Committee is aware of the *Nevada Magazine* and commends you on the publication.

Revenue projections generated only 78 percent of what was authorized. You are projecting increases in revenue for advertising and single-issue sales. How do you anticipate achieving those goals if previous projections were not met?

MS. DUDLEY:

I became the new publisher as of November 2006. I have implemented a new plan to increase distribution and revenue. The *Nevada Magazine*, [Exhibit R](#), has a new format. The new format includes celebrating the Nevada lifestyle. It allows us to encourage a new advertiser base. In the past, the majority of advertisers have been in the travel and tourism industry. The new format highlights new housing developments, interior décor, fashion and food.

In addition, a key-budget component is to update the Website. In the past, the *Nevada Magazine* has not had advertising on its Website. We will now offer advertising sales on the Website as well.

CHAIR RAGGIO:

Do you feel the reserve amount is sufficient in this budget?

MS. DUDLEY:

We would like to have a greater amount, but the amount in the budget is what we anticipate will be available.

CHAIR RAGGIO:

Under enhancement unit E-175, what is the increase in events and shows?

E-175 Increase Non-Gaming Revenue – Page ECON DEV & TOURISM-35

MS. DUDLEY:

The request in module E-175 is necessary because the publication, *Events and Shows*, [Exhibit S](#), is purchased by the Commission on Tourism from *Nevada Magazine*, [Exhibit R](#). *Events and Shows* is placed in visitor packets. The requests for Nevada information are increasing, thus more of the publications are being purchased.

CHAIR RAGGIO:

There were 600,000 copies of *Events and Shows* purchased annually. Is it your intent to increase that number by 180,000? How is the publication utilized?

MS. DUDLEY:

The cost-per-acquisition campaign on the COT Website is generating more requests for information. The number of copies needed has increased 25 percent in the single month the cost-per-acquisition campaign has been running.

CHAIR RAGGIO:

If an additional 180,000 copies are purchased at a cost of \$110,000, the cost of the publication is 59 cents. If 600,000 copies were purchased at 59 cents an issue, it would have generated \$354,000 in sales. The reported revenue for

single-issue sales was only \$296,774 in this decision unit. Please explain the difference.

MS. DUDLEY:

The amounts we charge the Commission for their purchases are on a cost-only basis. Single-issue sales are sold at a profit.

SENATOR BEERS:

Your revenue and the Commission's expense do not match.

CHAIR RAGGIO:

Please reconcile and return the information to the Committee.

MR. MALAND:

We will reconcile the figures.

CHAIR RAGGIO:

Has the question on module E-176 been covered?

MS. DUDLEY:

We spoke about that item earlier concerning the proposal to bring the *Nevada Visitor's Guide*, [Exhibit T](#), to an in-house publication.

MR. MALAND:

The last budget account is 225-1523.

Tourism - Tourism Development – Budget Page ECON DEV & TOURISM-41
(Volume II)

Budget Account 225-1523

Budget account 225-1523 requests funding in the same amount as that of the previous biennium.

The *Nevada Adventure Guide* ([Exhibit U](#), original is on file in the Research Library) was provided to the Committee.

Other brochures provided, but not spoken to, include; *Nevada, Reno-Tahoe Territory* ([Exhibit V](#)), a *Nevada State Map* ([Exhibit W](#), original is on file in the Research Library), *Nevada, Pony Express Territory* ([Exhibit X](#)), *Nevada, Pioneer Territory* ([Exhibit Y](#)), *Nevada, Las Vegas Territory* ([Exhibit Z](#)), *Nevada, Indian Territory* ([Exhibit AA](#)) and *Nevada, Cowboy Country* ([Exhibit BB](#)).

The final exhibit provided, but not addressed, is the NDA budget and expenditures ([Exhibit CC](#)) provided by Mr. Russell Rowe, representing the NDA.

SENATOR BEERS:

I wish to disclose I am the treasurer of the Foundation for the Tonopah Mining History Park and they may be a grantee of this organization.

CHAIR RAGGIO:
Staff has a list of the grants provided by this agency. Seeing no further business before the Committee, this meeting is adjourned at 10:41 a.m.

RESPECTFULLY SUBMITTED:

Cynthia Clampitt,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE:_____