

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session
March 5, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:05 a.m. on Monday, March 5, 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:

Gary L. Ghiggeri, Senate Fiscal Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Laura Freed, Program Analyst
Michael Bohling, Committee Secretary

OTHERS PRESENT:

Andrew Clinger, Director, Department of Administration
John P. Sande, IV, Jones Vargas
Shirley Folkins-Roberts, Founding Board Member, Keaton Raphael Memorial
Kim R. Wallin, State Controller, Office of the State Controller
Alex Echo, Data Processing Manager, Information Technology, Office of the State Controller
Bill Reinhard, Acting Chief Deputy Controller, Office of the State Controller
Brenda Laird, Chief Accountant, Financial Reporting, Office of the State Controller
Ross Miller, Secretary of State, Office of the Secretary of State
Scott Anderson, Deputy for Commercial Recordings, Office of the Secretary of State
Matt Griffin, Deputy for Elections, Office of the Secretary of State
Rajinder Rai-Nielsen, HAVA Administrator, Office of the Secretary of State
Keith Rheault, Ph.D., Superintendent of Public Instruction, Department of Education
James Wells, Deputy Superintendent for Administrative and Fiscal Services, Department of Education
Gustavo Nunez, Interim Manager, State Public Works Board, Department of Administration

CHAIR RAGGIO:

Staff has some preliminary issues to discuss before we proceed.

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

I have distributed to the Committee a memorandum from Ms. Joi Davis, Program Analyst, Fiscal Analysis Division, dated February 27, 2007 ([Exhibit C](#)), regarding questions concerning prior reporting of the M2 Foundation for Kids expenditure report.

At the February 26, 2007, hearing for the Commission on Economic Development's budget, the Valley Center Opportunity Zone provided only one copy of their handout. I have provided additional copies to the Committee ([Exhibit D](#), original is on file in the Research Library).

The Senate Committee on Finance Progress Report as of March 5, 2007, has been provided to Committee members ([Exhibit E](#)). Through the end of this week, including budgets which have been assigned to staff for recommendation, the Committee will have reviewed 319 of the 426 budgets. There have been 25 bills referred to the Committee and 10 have been scheduled for hearings this week. Of the 104 Capital Improvement Projects, 22 have been reviewed by the Senate Committee on Finance.

Additionally, I have provided the Committee an update on the budget amendments ([Exhibit F](#)). Through March 2, 2007, 30 budget amendments have been submitted by the Budget Division.

CHAIR RAGGIO:

Is there a net increase as a result of the amendments?

MR. GHIGGERI:

The General Fund increase in fiscal year (FY) 2006-2007 is \$314,548. The General Fund decrease in FY 2007-2008 is \$246,542 and the General Fund increase in FY 2008-2009 is \$103,981.

CHAIR RAGGIO:

Mr. Clinger, we have a bill today, Senate Bill (S.B.) 182, which is a supplemental appropriation of \$125,000 to the Department of Education. Is there an additional General Fund supplemental of \$1.5 million which may be required for teacher-signing bonuses?

SENATE BILL 182: Makes a supplemental appropriation to the Department of Education, other state education programs, to fund the Counselor National Board Certification Program. (BDR S-1250)

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

CHAIR RAGGIO:

We will process this, but can the amendment process be expedited? I request you work more closely with our staff on these potential amendments.

MR. CLINGER:

I will contact the Department of Education.

MR. GHIGGERI:

I have distributed to the Committee my March 2, 2007, report on the sales-tax collections through January 2007 for business activity conducted in December 2006 ([Exhibit G](#)). The collections on sales tax increased 2 percent in January 2007 from January 2006. Fiscal year-to-date (YTD) collections through the first six months of FY 2006-2007 have increased 3.2 percent from FY 2005-2006. If the sales-tax collections continue at a 3.2-percent increase for the remainder FY 2006-2007, it is estimated we will be approximately \$5.2 million short in the General Fund's 2-percent portion of sales taxes collected.

The YTD collections on the combined in-state and out-of-state local school-support tax (LSST) have increased 2.4 percent, as opposed to the 4.7 percent projected by the economic forum. If this trend continues for the balance of the fiscal year, collections from this source for the distributive school account (DSA) will be short \$24.6 million.

Lastly, I have handed out a memorandum dated February 27, 2007, from Mr. Joshua J. Hicks, providing guidelines for the Governor's policy regarding fine and fee increases ([Exhibit H](#)).

CHAIR RAGGIO:

If collections continue on this level, we will need in excess of \$24 million for the DSA than was anticipated in the budget.

MR. GHIGGERI:

This will reduce the available surplus funds for this fiscal year for onetime and supplemental appropriations and reduce the projected growth of the Base Budget for FY 2007-2008 and FY 2008-2009.

CHAIR RAGGIO:

Can the Department of Taxation provide a report on which sales-tax sectors are not performing as anticipated?

MR. GHIGGERI:

We are currently working with the Department of Taxation on the issue.

CHAIR RAGGIO:

We will hear a bill draft request for the Keaton Raphael Memorial.

JOHN P. SANDE, IV (Jones Vargas):

I am testifying on behalf of the Keaton Raphael Memorial, a nonprofit organization dedicated to assisting families of children diagnosed with cancer.

SHIRLEY FOLKINS-ROBERTS (Founding Board Member, Keaton Raphael Memorial):

The Keaton Raphael Memorial was originally founded in Roseville, California, in 1998 by Robin Raphael, whose son, Keaton, passed away of cancer at the age of five. We are dedicated to providing services to families and children who are afflicted with cancer. The Reno, Nevada, chapter was founded in 2004.

The handout you have received ([Exhibit I](#), original is on file in the Research Library), details our mission. Cancer is the leading disease killer of children in the United States. Childhood cancer kills more children in the U.S. than asthma, diabetes, cystic fibrosis and AIDS combined. Nationally, 1 in 330 children will

be diagnosed with cancer each year. In northern Nevada, 44 children will be diagnosed each year.

We are requesting \$60,000 to assist in the establishment of the Keaton Raphael Memorial. We give funds and assistance to families and are working with Renown Health to establish an oncology unit in northern Nevada. At this time, children must travel to California for treatment which places a large burden on families.

The Keaton Raphael Memorial has established a patient-care fund and hired a family navigator who acts as a social worker to the family. She provides assistance through the process as well as gasoline and meal assistance.

CHAIR RAGGIO:

Is this a U.S. Internal Revenue Service code 501.c.3 nonprofit organization?

MS. FOLKINS-ROBERTS:

Yes, it is.

CHAIR RAGGIO:

What funding have you been receiving?

MS. FOLKINS-ROBERTS:

We have private fund-raising through golf tournaments and as a beneficiary of a Pacific Coast Cutting Horse Association event.

CHAIR RAGGIO:

Do you understand, if granted, this would be onetime funding?

MS. FOLKINS-ROBERTS:

Yes. We are requesting these funds for our start-up process and to establish an endowment to assist in establishing an oncology unit within Renown Health.

SENATOR COFFIN MOVED TO REQUEST A BILL DRAFT FOR THE KEATON RAPHAEL MEMORIAL IN THE AMOUNT OF \$60,000.

SENATOR RHOADS SECONDED THE MOTION.

MR. GHIGGERI:

I would like to clarify the amount you are requesting. The budget in the handout refers to a request of \$95,000.

MS. FOLKINS-ROBERTS:

The amount requested is \$60,000. We will supply an amended budget to the Committee.

CHAIR RAGGIO:

The Chair will inform the Committee Mr. John P. Sande, IV, is a member of the law firm, Jones Vargas, of which I am a shareholder.

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

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CHAIR RAGGIO:

We will now open the hearing on the budget of the Office of the State Controller, budget account (B/A) 101-1130.

ELECTED OFFICIALS

Controller's Office – Budget Page ELECTED-102 (Volume I)
Budget Account 101-1130

KIM R. WALLIN (State Controller, Office of the State Controller):

The first few pages of our handout, entitled "FY08 - FY09 Budget Presentation to the Senate Committee on Finance" ([Exhibit J](#), original is on file in the Research Library) depict the basic information regarding the Office of the Controller.

The Office of the Controller is the financial hub for the State of Nevada. On average, over \$1 billion in transactions are processed through the statewide accounting system each day. The \$1 billion includes payment of vendors, payroll, deposits and transfers of money.

With the exception of decision unit E-225, I have no apprehension with the Governor's recommended budget. The Office of the Controller does not support this technology investment request (TIR). We will propose an alternative use of these funds and an alternative solution to our disaster-recovery plan.

E-225 Eliminate Duplicate Effort – Page ELECTED-104

Further in my presentation, I will discuss the enhancements needed to bring the Office to the level at which it should be operating.

The cost distribution in this budget is 76-percent personnel, 9-percent administration and 15-percent information services.

On page 8 of [Exhibit J](#), you can see the TIR proposed by the Department of Administration's (DOA) Information Technology (IT) Division and the Department of Information Technology (DoIT). It will cost the three entities involved \$2.6 million for the biennium. The Office of the State Controller requires a geographically dispersed disaster-recovery system outside of Carson City. We would like to locate the disaster-recovery system in southern Nevada.

The Advantage system was old technology when the State purchased it almost ten years ago. We will need to replace this system in the next six to eight years; therefore, we should not spend this money on an upgrade to a platform which does not support the Advantage system. We are requesting a disaster-recovery system, not an upgrade to the platform.

On page 9, the cost of our proposed disaster-recovery system in Las Vegas is shown. Included are cost estimates from the Department of Personnel (DOP) to make upgrades necessary to meet their needs. The DOA is excluded in the cost estimate as they are not a part of the Integrated Financial System (IFS). The Department of Transportation (NDOT) does not request, or need, any upgrades at this time.

Page 10 illustrates our recommended reallocation of E-225 funds. In more detail, page 11 shows our recommended items for special consideration in the reallocation of \$492,498 for FY 2007-2008 and \$100,868 in FY 2008-2009 to categories 03 and 26 for a disaster-recovery system in Las Vegas.

Page 12 reflects an item for special consideration of upgrades for seven comprehensive annual financial report (CAFR) accountants and one CAFR manager. The cost of these upgrades is \$92,055 in FY 2007-2008 and \$97,072 in FY 2008-2009. This was approved in the last biennium but did not occur due to circumstances with the previous administration. With my plans for the Office to be proactive in finding ways to become more efficient, it is important to have these upgrades. The staff accountants will help other agencies in finding ways to develop objective, meaningful, measurable and relevant performance indicators. They will also be assisting other agencies in performance management.

Page 13 shows an item for special consideration for four information technology (IT) position upgrades. A fifth position is upgraded to Grade 41 master IT professional because of this individual's superior knowledge and skills with our Advantage financial system. Due to this person's expertise, our Office is saving the State over \$80,000 each year by discontinuing the use of vendor support.

Page 14 details items for special consideration in category 30 for accounting and IT staff member training. We are requesting \$90,897 for FY 2007-2008 and \$71,616 in FY 2008-2009. Our Office has been neglected for six years. The previous administration's goal was to see as much money as possible revert back to the State. It is an admirable effort but at what cost? Our training budget has steadily declined.

With my plans for the accountants to become management consultants, they will require additional training. We have a young IT staff, and have been training them as we go. With the money we currently have in our budget for training ...

CHAIR RAGGIO:

Are you experiencing a great number of new staff? Are there some which have already been trained?

MS. WALLIN:

Training is a lifelong commitment, and the amount currently in our budget averages to a little over \$550 a year for each person. The graph at the bottom of page 14 illustrates the decrease in the Office's training funds since FY 2001-2002. To stay current and operate efficiently, we must have a highly-trained staff.

CHAIR RAGGIO:

You are requesting \$92,987 and \$72,616 for FY 2007-2008 and FY 2008-2009 for training which is more than any previous year.

MS. WALLIN:

The previous administration did not believe in training ...

CHAIR RAGGIO:

In FY 2001-2002, they allocated \$60,000.

MS. WALLIN:

In 2002, the Government Accounting Standards Board's (GASB) Statement 34 took effect.

SENATOR BEERS:

What training will staff in IT positions receive?

ALEX ECHO (Data Processing Manager, Information Technology, Office of the State Controller):

A breakdown of the training items is listed in the appendix of the budget presentation ([Exhibit J](#)). The IT training is listed on pages 14 and 15 of the appendix. We are asking for various levels of training in the Oracle database and Advanced Interactive Executive (AIX) operating system. Part of the reason we need this training is many of our positions were filled with trainees at lower-grade levels and they are advancing through the ranks. With the savings in salaries and the increase in training costs, it is still less expensive than hiring people at higher-grade levels.

SENATOR BEERS:

Why are you planning to train staff in Java technology?

MR. ECHO:

It is in anticipation of a Graphical User Interface (GUI) rewrite which was discussed for the Advantage financial system. The planning was to complete the task in Java ...

SENATOR BEERS:

I thought you were going to do away with Advantage.

MR. ECHO:

The money could be reverted to the General Fund if it is not used for Java or it could be used for different technology if we go with another system.

SENATOR BEERS:

It appears to be something we could remove from the budget.

MS. WALLIN:

Items for special consideration on page 15 are equipment requests in category 26 for \$85,163 in FY 2007-2008 and \$44,003 in FY 2008-2009. Most of this is for replacement equipment based on the DoIT-recommended replacement schedule. Detailed costs can be found on page 16 of the appendix.

CHAIR RAGGIO:

Your budget reflects a 21.7-percent increase over the last biennium. To what is the majority of the cost related?

MS. WALLIN:

The majority of the cost is for disaster recovery which is \$593,000 for the biennium.

CHAIR RAGGIO:

Mr. Clinger, would you like to comment on the Controller's indication they do not want to participate in the consolidation of the servers? I will refer this to the

Joint Subcommittee on General Government. If you have any comments, they would be welcome at this point.

MR. CLINGER:

It is my understanding there will be presentations given by my Office and the Office of the State Controller at the March 22 meeting of the Joint Subcommittee on General Government. We believe we have the most cost effective and efficient disaster-recovery system. It is more than disaster recovery as it consolidates resources from different agencies to make the process more efficient.

CHAIR RAGGIO:

Would this be one server in the north and one server in the south?

MR. CLINGER:

Yes.

CHAIR RAGGIO:

For our initial edification, do you have any comment on the NDOT not needing this system?

MR. CLINGER:

The NDOT has a piece of the Advantage system and is part of the overall plan. There are currently 15 IFS servers and the plan is to consolidate them into two servers, using those two servers to adjust the resources as needed.

For instance, we know every other Monday and Tuesday there is a spike in the Nevada Employee Action and Timekeeping System (NEATS) due to time sheet entry and we can allocate this usage to one server and create efficiencies in the use of the hardware.

CHAIR RAGGIO:

The Office of the State Controller thinks this will impair their functionality. Has this been considered?

MR. CLINGER:

Yes, it has been considered. We met with Controller Wallin in December to review this plan and get her input. Subsequently, we modified our plan to accommodate her request of having the geographically dispersed disaster-recovery phase occur sooner in the process. We are not trying to remove control of the financial system from the Controller. They will still control the system; this is simply the hardware application on which the system operates.

CHAIR RAGGIO:

We need to ensure the statewide financial system is adequate and up to date. I am going to refer this issue to the Joint Subcommittee on General Government, and they will report back to the financial committees.

SENATOR MATHEWS:

Is this another year in which we will attempt to reduce the Controller's responsibilities and do away with the Office?

MR. CLINGER:

There is certainly no attempt to take authority from the Office of the State Controller. They will continue to control and manage financial applications of the system. We will be sharing resources as a State which, in my opinion, will make us more efficient and save taxpayers money.

MS. WALLIN:

On page 16, you will see a breakdown of requested budget expenses for the Office. Personnel constitutes 77 percent of the budget, compared to the Governor-recommended 76 percent. Administration costs are 11 percent, increased from the Governor-recommended 9 percent. Our IT costs will decrease 3 percent to 12 percent of the budget.

Page 17 shows the Office budget has only increased 1.7 percent since FY 2003-2004. Since roughly 75 percent of the budget is related to personnel costs, which have grown over the past 4 years due to cost-of-living adjustments (COLA) and merit increases, the budget has remained static only through decreases in non-personnel-related costs.

My vision for the future is shown on page 18. As a professional accountant, I have great plans for my Office. My staff will become management consultants to the various agencies, helping them with performance measures and performance management, thereby, identifying waste and inefficiencies.

We conducted a survey among our users in the fall of 2006 and were rated in the top 90 percent for customer satisfaction and service. With the enhancements we have requested, we can make this a world-class Office.

CHAIR RAGGIO:

One of the primary responsibilities of the Office of the State Controller is the collection of outstanding debt; what is your present program on debt collection?

MS. WALLIN:

We continue to collect about \$100,000 a month in debt. Since the program started, we have collected over \$6 million.

CHAIR RAGGIO:

What was the starting date of the program?

MS. WALLIN:

The starting date was in 2002.

CHAIR RAGGIO:

What changes are you contemplating to increase the amount of debt collection? Is most of the outstanding debt uncollectible?

MS. WALLIN:

I am reviewing all aspects of my organization and have discovered it is voluntary for the various agencies to turn debt over to our Office. There is no mandatory period of time in which they must pay their debts. Some may pay debt within 120 days, or the debt may be a year old when we receive it.

CHAIR RAGGIO:

What is your recommendation?

MS. WALLIN:

We should change the statute to require debt to be paid within 90 days.

CHAIR RAGGIO:

Mr. Reinhard, what is your analysis?

BILL REINHARD (Acting Chief Deputy Controller, Office of the State Controller):

As accounts receivable age, they are more difficult to collect. The last thing we want to do is allow these debts to become a year old then attempt to instigate collection efforts. Typically, we find the debtors are deceased, unavailable for contact or bankrupt. We would like to take an aggressive approach to maximizing our collection effort. I believe a 90-day window makes sense.

CHAIR RAGGIO:

Which agencies are reluctant to pay the debt and for what reason?

MR. REINHARD:

I would not say they are reluctant to turn over their debt. We do not have a unified force pursuing this debt or a consistent approach in collection. As we see the debt age from 60 to 90 days, we know the sooner we intensify collection efforts the more productive our efforts will be.

CHAIR RAGGIO:

I suggest your Office and the Budget Office get together to prepare a proposal on how to better effectively collect debt. Mr. Clinger is indicating his approval.

SENATOR BEERS:

Is there a site in the computer system in which you can see the debt of the other agencies?

MS. WALLIN:

We receive a quarterly report of outstanding debt from the agencies. The Department of Taxation has their own debt collection which does not get turned over to this Office. We have been unable to complete compiling the December report as we have still not received the required information from the agencies. They are slow in getting the information to our Office. In a recent survey, some agencies indicated they did not have accounts receivable (AR) departments, yet they later turned debts over to this Office for collection.

SENATOR BEERS:

Does the IFS have an AR module?

MS. WALLIN:

Yes, it does.

SENATOR BEERS:

Would it require extra input since we typically do not record until the cash is received?

MS. WALLIN:

Yes.

SENATOR BEERS:

Does the IFS AR module allow you to credit AR and debit cash in one step as cash is received?

Ms. WALLIN:

I do not know.

SENATOR BEERS:

Has anyone in the State been trained on the AR module for the IFS?

BRENDA LAIRD (Chief Accountant, Financial Reporting, Office of the State Controller):

We currently have two agencies using the AR module. We have not implemented this particular module for the Advantage system to other agencies in the State as it has never worked to our satisfaction.

SENATOR BEERS:

Is it designed to record revenue when you collect debt? Are the receivables essentially off book?

Ms. LAIRD:

It records receivable and revenue at the fund level but does not record revenue at the budgetary level until the cash is received.

SENATOR BEERS:

Can this be modified?

Ms. LAIRD:

At this point, we would rather wait until we get a new financial system to replace Advantage.

SENATOR BEERS:

Are Advantage and the IFS the same system?

Ms. LAIRD:

Yes.

SENATOR BEERS:

Is it your intent to suggest we replace the IFS?

Ms. WALLIN:

Yes. The system was old technology when we purchased it almost ten years ago. We would like to discuss what needs are required with the IFS users and find an off-the-shelf package to fit those needs, then, work with the users to modify their processes to avoid customizing the system to the point where it is not compatible with new technology.

SENATOR COFFIN:

Is the Controller responsible for collecting the debt?

Ms. WALLIN:

The statute states the Controller is responsible for collection of debts, yet, we have no mandates for the agencies to pay them.

SENATOR COFFIN:

I do not know how outside auditors can issue a qualified opinion if we do not know the amount of our debt. We need to accelerate the reporting of the amount then delve into the collection aspect later.

SENATOR BEERS:

Under the modified-accrual method, we do not report our accounts receivable. Therefore, there is no problem getting an audit opinion since the audit opinion says our activity is reported in compliance with the government-accepted accounting practices. We do not have accounts receivable on our financial statements.

SENATOR COFFIN:

Regardless of what the GASB says, we need to know the amount. Once we know the amount, we can concentrate on collection.

MS. WALLIN:

The penalties assessed against employers for not having worker's compensation insurance do not get put into our books for a year since the assessments must first go to the Office of the Attorney General for disposition. Those assessments are rarely collected. I would like to change the process to place those assessments into a trust fund until the Office of the Attorney General disposes the case.

SENATOR BEERS:

Do you have a report prepared on the problems which necessitate replacing the Advantage system?

MS. WALLIN:

Not at this time.

SENATOR BEERS:

Could you have your staff put something together? This is a long-term project and our staff will need to review the information.

MS. WALLIN:

Yes.

CHAIR RAGGIO:

Who, in your Office, is primarily responsible for debt collection?

MS. WALLIN:

Ms. Christi Thompson.

CHAIR RAGGIO:

Within the next few weeks, we would like a report on outstanding debt and what portion is deemed uncollectible.

MS. WALLIN:

I can give you a report through September 30, 2006.

CHAIR RAGGIO:

The report cannot be more current than September 30?

MS. WALLIN:

No. We are waiting for the agencies ...

CHAIR RAGGIO:

Mr. Clinger, ask the agencies to furnish the needed information to the Office of the State Controller. Within three weeks, we would like a report which is as current as possible to include the uncollected debt and debt deemed to be uncollectible.

MS. WALLIN:

When the agencies provide information on a quarterly basis, they do not tell us how much debt is uncollectible.

CHAIR RAGGIO:

We will ask them to provide all of the needed information.

SENATOR CEGAVSKE:

What is the motivation behind increasing the personnel portion of your budget to 77 percent rather than the Governor's recommended 76 percent?

MS. WALLIN:

The CAFR accountant upgrades. There is a list of all CAFR accountant upgrades on pages 2 through 6 of the appendix in the budget presentation ([Exhibit J](#)). To receive these upgrades, the accountants must have an accounting degree, four years of accounting experience or three years if they are certified public accountants and two years of experience in preparing CAFR reports.

SENATOR BEERS:

Page 18 of your presentation, the Vision for the Future, cites benchmarking as one of your goals. What is benchmarking?

MS. WALLIN:

The National Association of State Auditors, Comptrollers and Treasurers (NASACT) has started a benchmarking program which allows us to compare Nevada with other states. They have programs available for IT, personnel, finance and procurement.

SENATOR BEERS:

I admire your enthusiasm. Management consulting to agencies, performance indicators and performance management are not currently a part of your duties; will this require a change in statute?

MS. WALLIN:

There is currently a bill draft request by Senator Wiener addressing this issue. It would have the Controller involved in aiding agencies to establish performance measures and assisting them with analytical work. We are trying to be proactive since the GASB will require states to report on the service efforts and accomplishments which are their performance measures. My CAFR accountants struggle with agencies whose performance measures change every biennium.

SENATOR BEERS:

Have you been to a GASB meeting yet?

MS. WALLIN:

No, I have not been to one yet. I have asked to serve on the Governmental Accounting Standards Advisory Council.

CHAIR RAGGIO:

Thank you, Ms. Wallin. As I have indicated, the issue of the consolidation of servers will be referred to the Joint Subcommittee on General Government.

At this time, we will take up the budget of the Office of the Secretary of State, budget account (B/A) 101-1050.

Secretary of State – Budget Page ELECTED-107 (Volume I)
Budget Account 101-1050

ROSS MILLER (Secretary of State, Office of the Secretary of State):

I have provided the Committee members with a copy of our Biennial Budget Request ([Exhibit K](#), original is on file in the Research Library) which provides highlights of, and information on, the various divisions and functions of the Office.

This budget was prepared by my predecessor, Secretary Dean Heller. It maintains current levels of funding and staffing positions from this biennium and has modest requests for enhancements.

There is a difference I would like to point out in the Governor-recommended budget by Governor Guinn and the budget proposed by Governor Gibbons. The budget recommended by Governor Gibbons shifts a significant portion of the funding for our Office from General Fund to special services. Special services are funded through our expediting fees in which individuals pay an additional fee to have their recordings processed faster than the average time.

Our Office has three budget accounts and I will discuss them individually. Budget Account 101-1050 is for the general operations of the Office. Budget Account 101-1051 is for the Help America Vote Act (HAVA) account, which is funded almost entirely by federal funds. We are required to match 5.26 percent of all Title II funds. In this budget, the match comes from the special services funds with no contribution from General Funds. Lastly, B/A 101-1053 is a securities-revolving fund.

The Office of the Secretary of State generates the majority of its revenue through the Commercial Recordings Group. The General Fund revenues were over \$100 million last year. Overall revenues are up 20 percent and revenue generated by each employee is more than \$750,000, up significantly from \$100,000 in 1987. The Office generated approximately \$9 in revenue for every \$1 in expense. Over the past 20 years, our total revenue has increased by 17 times while expenditures have increased by less than 11 times.

There are many contributing factors initiated by Mr. Heller which improved the effectiveness of the Office. We intend to continue to invest in those measures and make it more efficient. Investing in technology and online services has proven to be an effective way of increasing the number of filings in the Commercial Recordings Group. We won an award for the electronic Secretary of State (e-SoS) system for effectively processing commercial recordings.

In FY 2006, the Commercial Recordings Group processed 85,001 new entities which was an 8-percent increase from the previous year. It also processed over 300,000 total filings for entities in good standing which was a 13-percent increase over the previous year. The Commercial Recordings Group filing fees were a significant portion of the \$87 million generated in FY 2005-2006.

We continue to see steady use of the expedited filing process which funds special services. As more people use the online services, the result is a decrease in expediting fees. It is less attractive to pay \$1,000 to wait one hour to complete your filings when you can file online and have it processed almost as quickly. I point this out since the Governor's recommended budget shifts the funding for our operations from General Funds to special services funds. The expedited funds contributed \$11.4 million in FY 2005-2006, and the decrease for the first 7 months of this fiscal year alone is 22 percent.

CHAIR RAGGIO:

Why is there a decrease in expedited funding revenue?

MR. MILLER:

We are seeing an increased number of customers utilize the online filing which is much more efficient.

CHAIR RAGGIO:

Do the customers receive the same turnaround time with electronic filing as with expedited service?

MR. MILLER:

It is not as fast, but we have significantly decreased the delay time.

SENATOR BEERS:

I do not think we anticipated online would be expedited. Do you think we can increase expedition utilization by decreasing the fee?

MR. MILLER:

Delaware's expedition fees are greater than Nevada's, and they are the leader in per-capita filings nationwide.

SENATOR BEERS:

Is Delaware's Web access as good as Nevada's?

MR. MILLER:

I do not believe it is.

SCOTT ANDERSON (Deputy for Commercial Recordings, Office of the Secretary of State):

There was anticipation the efficiencies of the online filing services could potentially reduce requests for expedited services. We currently file approximately 10,000 annual lists each month online. Many of those would be paying an expedite fee between \$125 and \$1,000 depending on service required. The burden of becoming more efficient is we are generating less in expedited fees. One reason we are known to be an excellent filing state is our turnaround times are good, and we have reduced them further since the implementation of the e-SoS system. Our internal, non-e-SoS processes are more efficient than two years ago as well.

SENATOR BEERS:

Could a well-placed article in your trade publications, describing how Nevada's online access has reduced our expediting fees, while Delaware's fees have increased, drive some of Delaware's market share to Nevada?

MR. ANDERSON:

I do not believe I have the information to answer your question.

SENATOR COFFIN:

Companies filing in Delaware know the state has a substantial body of law and judges trained in business law. Compared to Delaware, Nevada is deficient in our lack of a chancery court.

CHAIR RAGGIO:

I believe one of the proposals of the Judicial Branch is to institute a business court. Have you discussed this with them?

MR. MILLER:

We have a business court which is operational, but it was implemented through court rule. This Legislative body commissioned a study in 2001 to review whether or not we wanted to implement a business court ...

CHAIR RAGGIO:

Is this the equivalent of the chancery court in Delaware?

MR. MILLER:

Yes. The difference is a chancery court is an equity court rather than a legal court. We observed the chancery court in Delaware and it is impressive. It is certainly one of the reasons many big companies choose to file there, since they can have their business disputes litigated quickly. Our Office believes a chancery court would be a tremendous benefit in attracting businesses.

CHAIR RAGGIO:

It would take a while to build up the type of precedence Delaware has, but I would certainly support it.

SENATOR BEERS:

The vision should be to process a bill creating a chancery court statewide since we are having difficulty policing our districts into complying and simultaneously, on a non-preemptive basis, adopting Delaware case law. The case law could always be overturned by a judge, but, as an assumption, Delaware case law would be a strong piece of advice to Nevada judges.

CHAIR RAGGIO:

I do not know if this can be accomplished by statute. It will be decided by the courts to develop reliance on this type of precedence.

MR. MILLER:

Nevada ranks as number nine in the nation as a filing state and number two in filings per capita, behind Delaware. Of all lists, 31 percent are filed online and 64 percent of certificates of good standing are made available online. Over two-thirds of the Uniform Commercial Code services are provided online. Improving services to our customers is our objective today and we have a number of proposals moving toward that end. We will make more document

images available online, provide a batch filing service for our annual lists and develop online services for most of our commercial recordings.

We will integrate the processes allowing the Secretary of State's Office to become the one-stop office for business transactions. We will work with other governmental agencies allowing customers to conduct transactions with our office and other entities simultaneously. Funding for these improvements is part of the Base Budget request.

The partnership with Northrop Grumman on the initial implementation of the e-SoS system will continue to focus on knowledge transfer, eventually enabling our Office's IT staff to manage maintenance and for the contractor to develop platforms for enhanced services.

A bill draft request (BDR) was submitted by our Office, which is now Assembly Bill (A.B.) 25, impacting the fee structure in some filings in commercial recordings.

ASSEMBLY BILL 25: Makes various changes to provisions governing business associations. (BDR 7-544)

CHAIR RAGGIO:
What are the fee increases?

MR. MILLER:
It is a nominal fiscal impact. It is mainly a housekeeping bill to bring into accordance some fees not specifically designed in statute.

SENATOR TITUS:
We have heard fee increases will not be signed by the Governor. There are currently some problems with the Gaming Control Board fees. Have you discussed these fee increases with the Governor?

MR. MILLER:
No, we have not.

CHAIR RAGGIO:
The Governor sent a memorandum defining his position on fee increases.

MR. MILLER:
There are no new position requests in the budget; however, as additional needs or mandates are placed under our jurisdiction, we will provide an assessment of additional personnel necessary to carry out those functions.

The budget contains some modest enhancements. Most of them are necessary to maintain efficient operations and deliver high-quality customer service, protect citizens from fraudulent investment schemes and ensure the integrity and security of elections.

Currently, 95 percent of the approved positions are in the classified service of the State. Three manager positions in the Securities Division are proposed to be moved to unclassified service.

CHAIR RAGGIO:

Decision unit E-325 is \$5,000 each year to support the advisory committee on participatory democracy which was established by the Legislature to identify programs which get people more involved. How will the \$5,000 each year be used?

E-325 Services at Level Closest to People – Page ELECTED-110

MR. MILLER:

It will be used for operational costs for the committee and funding for travel.

CHAIR RAGGIO:

This has not previously been in the *Executive Budget*.

MR. MILLER:

It is a pass-through fund. We receive HAVA funds ...

CHAIR RAGGIO:

Are the HAVA funds no longer available?

MR. MILLER:

The HAVA funds are available for disbursement in terms of encouraging voter participation.

CHAIR RAGGIO:

Are they available for this purpose?

MR. MILLER:

Those funds are not available for operations.

CHAIR RAGGIO:

Does funding need to continue?

MR. MILLER:

I believe it is beneficial to have a bipartisan committee so political actors, like myself, are not making decisions on which programs get funding.

CHAIR RAGGIO:

What is done by this fund to improve participatory democracy and get people involved?

MR. MILLER:

They are individuals, comprised of volunteers throughout the State, who agree to review all of the grants and requests for grants in various programs. They eventually make recommendations to our office as to how HAVA money should be spent for voter outreach programs.

They also participate in Democracy Day which was instituted in the last Legislative Session. This year, it is tentatively scheduled for April 2, 2007, at which time they will give the Jean Ford Democracy Award for outstanding contributions to democracy.

CHAIR RAGGIO:

Is there HAVA funding available for this?

MR. MILLER:

There is HAVA funding for the disbursement of funds, but it cannot legally pay for this committee to travel and fund its operations.

CHAIR RAGGIO:

Tell us about decision unit E-327, the confidential address program. How many clients have requested this?

E-327 Services at Level Closest to People – Page ELECTED-110

MR. MILLER:

There were 437 requests last year.

CHAIR RAGGIO:

Are these requests made mostly by crime victims?

MR. MILLER:

Yes. It gives victims of crime, stalking and domestic violence the ability to have their mail forwarded, participate in elections and maintain their confidentiality. We work actively with shelters to make the resource available.

CHAIR RAGGIO:

How will the appropriation of \$5,538 the first year and \$8,320 the second year be utilized?

MATT GRIFFIN (Deputy for Elections, Office of the Secretary of State):

A substantial cost comes from the mailing of correspondence between our Office and the program participants and their families. The increase to \$8,320 is for anticipated growth.

CHAIR RAGGIO:

How do they learn the program is available?

MR. GRIFFIN:

Information on the program passes through the local district attorney's office.

CHAIR RAGGIO:

Are they are told this service is available after they are victimized?

MR. GRIFFIN:

Yes.

MR. MILLER:

We work with the shelters trying to make it known this resource is available. If they enroll, they can use our mailing address and we forward the mail to the confidential address where they are located.

CHAIR RAGGIO:

Decision unit E-328 is an increase of \$17,139 for additional travel. Why is more travel required this biennium?

E-328 Services at Level Closest to People – Page ELECTED-110

MR. MILLER:

There was a decrease in travel used in the last biennium and we are requesting to restore in-State travel to the 2004 levels.

CHAIR RAGGIO:

Where will you spend the majority of your time, here or in Las Vegas?

MR. MILLER:

I live in Reno, but the Securities Division and some of the Commercial Recordings Group are in Las Vegas. I will spend a significant amount of time traveling back and forth.

CHAIR RAGGIO:

Do you have any comment on decision unit E-329, overtime funding for the Commercial Recordings Group?

E-329 Services at Level Closest to People – Page ELECTED-111

MR. MILLER:

This request is for both Commercial Recordings and election staff.

CHAIR RAGGIO:

Why are you requesting less money for the presidential election year?

MR. MILLER:

It is FY 2008-2009, which will include July to November 2008, the election year for the president.

CHAIR RAGGIO:

Decision unit E-806 reclassifies four positions. We issued a Letter of Intent on this.

E-806 Unclassified Position Salary Increases – Page ELECTED-112

MR. MILLER:

This request is for the unclassified positions which are primarily in the Securities Division. The securities administrator, which would oversee the entire Securities Division ...

CHAIR RAGGIO:

Are these the recommendations from the DOP?

MR. MILLER:

Yes. When we submitted our final budget, which indicated a 5-percent increase for the other salary positions including the chief deputy, through Governor Gibbons' staff, it was omitted from the Governor-recommended budget.

The other salary realignment we request is to move the public information officer from classified service to unclassified service.

CHAIR RAGGIO:

Is this in the budget request or is it additional?

MR. MILLER:
It is additional.

CHAIR RAGGIO:
If you have not furnished the Committee information on the additional request, please do so.

Would you like to discuss the increased reliance on the special services budget account?

MR. MILLER:
In this fiscal year, we have seen a 22-percent decrease in special-services revenue.

CHAIR RAGGIO:
We sweep everything over \$2 million into the General Fund.

MR. MILLER:
Last year, we did about \$11.4 million through the special services account.

CHAIR RAGGIO:
We need to get an amount of your anticipated decrease in expediting fees for FY 2007-2008 and FY 2008-2009.

MR. MILLER:
We will have it to you today or tomorrow.

SENATOR RHOADS:
Several weeks ago, there was an article about how easy it is to set up fraudulent companies, in Wyoming, Nevada and Delaware, to cheat investors. Do you have any comment?

MR. MILLER:
The U.S. Senator Carl Levin has a subcommittee at the federal level and has been conducting hearings over the past two years investigating the practices of the states in terms of commercial recordings. The U.S. General Accounting Office (GAO) and others have released reports indicating Nevada's corporate filing structures lend themselves to money-laundering opportunities and possibly shielding terrorist activities. Senator Levin introduced language, at the federal level, to address some of those problems and has worked with the National Association of Secretaries of State (NASS) to find our own remedies. He sent letters to all 50 governors encouraging them to draft remedies for the problem.

I am part of the NASS task force which will explore possible remedies. Within the last week, we formed a subtask force to investigate some of the identified problems and find solutions. We will explore the potential for our Office to draft administrative regulations which deal with fraudulent practices. We do not want to interfere with legitimate business practices, but there are ways to draft administrative regulations which will curb some of the fraud while remaining as business friendly as possible.

SENATOR TITUS:
We were looking at limited liability companies (LLC) in another committee and there are advertisements saying "Come set up LLCs in Nevada," "How to hide

your money," and "Pretend you are bankrupt to avoid paying debt." They are blatantly advising people to do this. They say Nevada is the only state in the nation which does not share information with the Internal Revenue Service (IRS). Can you comment on this?

MR. MILLER:

Since Nevada has no income-tax structure, it is impossible for us to share information we do not collect. Along with the good businesses, we also have some bad businesses which make us an easy target. This is what we hope to address with the task force. Eventually, we will ask for cooperation with the Legislature and the Governor to deal with the problem.

SENATOR COFFIN:

If Senator Levin's proposals have preemptive language giving authority to the federal government on Nevada's business transactions, I want to be certain we try to defeat it. Unless the National Conference of State Legislatures (NCSL) is involved, we want everyone weighing in on this. The NCSL has a special task force to alert legislators when preemptive language is being proposed by a member of the U.S. Congress since it usually affects some state regulation. Do you know if the NCSL is involved?

MR. ANDERSON:

The National Conference Commission on Uniform State Laws (NCCUSL) is involved in this. Mr. Bill Clark, who sits on a number of NCCUSL committees, has been involved with the NASS and is on the task force as well. I do not know the specifics of the NCCUSL's involvement, but I know they are involved with this issue. The NCCUSL's focus is uniformity and good business law which will encourage business activity throughout the states. They are concerned something like this could be a barrier to commerce.

CHAIR RAGGIO:

The next budget is B/A 101-1051, HAVA election reform.

SOS - HAVA Election Reform – Budget Page ELECTED-115 (Volume I)
Budget Account 101-1051

MR. MILLER:

The HAVA budget is a result of the Help America Vote Act of 2002, which was a \$21.2 million grant given by the federal government toward a more uniform administration of elections. It is to be used to replace punched-card voting in the administration of federal elections and provide assistance in the administration of federal election law and programs.

Nevada has received and expended funds for activities and programs including direct-recording electronic voting machines fitted with a voter-verifiable paper trail.

CHAIR RAGGIO:

Are the replacements of all voting machines in the State completed?

MR. MILLER:

All of the machines have been acquired. We have additional spending through the HAVA funds in terms of replacement machines and training.

CHAIR RAGGIO:

How much of a State match will be required in this next biennium?

MR. MILLER:

The State will need a match of 5.6 percent which is funded entirely from our special services account. No General Fund money is used.

CHAIR RAGGIO:

Has the match increased from previous years?

MR. MILLER:

No, it has not increased.

CHAIR RAGGIO:

How will the HAVA funds be used this biennium?

MR. MILLER:

We have a HAVA plan which is part of the State committee to oversee the spending. There are representatives from the Office of the Attorney General, the Governor's Office and members of the Legislature developing a plan on how those funds will be expended.

CHAIR RAGGIO:

When will this plan be submitted?

MR. GRIFFIN:

The committee has been formed and our Office has proposed a draft of the plan which the committee will review in the second week in April. The plan will be reviewed a second time in the fourth week of April, then submitted to the Legislature.

CHAIR RAGGIO:

What is in your plan?

MR. GRIFFIN:

There is a maintenance schedule for the machines ...

CHAIR RAGGIO:

Do local governments supply funding for maintenance?

MR. GRIFFIN:

The machines outside of Washoe and Clark Counties are owned by the Secretary of State's Office. Part of the plan is contract negotiations with the vendor, Sequoia.

CHAIR RAGGIO:

Which two positions does the HAVA funding cover?

MR. GRIFFIN:

Ms. Rajinder Rai-Nielsen and Ms. Kathryn Ely; both work in our Office. They address specific needs by working with the clerks of each county. They also deal with the community on voter-accessibility issues and provide submissions to the federal government to maintain our HAVA grants.

CHAIR RAGGIO:

Do we have a reliable computerized statewide voter-registration list?

MR. GRIFFIN:

At this point, the system is in place and we are working with the IT department to make it accessible to the general public.

MR. MILLER:

The statewide voter-registration list was in operation during the last election cycle and was used effectively. It is reliable and allows us do everything required by federal law. We can review criminal records and compare vital statistics with the Department of Motor Vehicles (DMV).

SENATOR CEGAVSKE:

Can the machines be updated and upgraded? When you meet with the vendor, can you get an estimate on the cost and what will be involved with keeping these machines in compliance with federal standards?

I did not realize only two counties were responsible for their own voting machines and the State was responsible for the rest of them. Is this a State cost for the other 15 counties?

MR. MILLER:

Yes. We will soon be negotiating a contract with Sequoia which will include warrantee and maintenance. We have a warrantee with the machines which comes with software upgrades.

SENATOR CEGAVSKE:

How long is the warrantee honored?

RAJINDER RAI-NIELSEN (HAVA Administrator, Office of the Secretary of State):

The warrantee has been in place since the contract was entered in 2004 and it expires in December 2007.

SENATOR CEGAVSKE:

Were you here when the contract was negotiated?

MS. RAI-NIELSEN:

No. I have only been here for one year. We have assessed the status of the equipment in all 17 counties ...

SENATOR CEGAVSKE:

Can you provide the Committee with a report of this information?

MS. RAI-NIELSEN:

Yes, I can put a report together for you. In the process of negotiating with Sequoia, we documented the status of the equipment in all counties and will request, under warrantee, any machines with problems be replaced and further extend the warrantee through the 2008 election cycle. Addressing the costs which periodically arise in maintaining the machines is a critical component to the contract negotiations.

SENATOR MATHEWS:

They seem to have continuous problems when they attempt to repair the machines and I am happy to hear they will be replacing them. I understand the voter-verified paper trail cannot be used for an election recount. How do you perform a recount?

MR. MILLER:

The paper trail is designed to be used as an auditing procedure. In Clark and Washoe Counties, it is mandated to compare 2 percent of the paper trail with the electronic results. In the rural counties, we compare 3 percent. Thus far, they have been accurate with the exception of one glitch in Eureka County.

SENATOR MATHEWS:

Can the printout I read when I cast my vote be utilized in a recount?

MR. MILLER:

It is only used for audit purposes. If there is an error, we have guidelines to follow for auditing the vote. We may want to reexamine the guidelines.

SENATOR MATHEWS:

Whenever I am told a machine is tamperproof, I see red flags. I would appreciate it if you would look into it and tell us what will happen in the event of a recount.

CHAIR RAGGIO:

The primary purpose of the paper trail is to provide voters a means of verifying their vote before finalizing it and see it was being recorded on a paper ballot. It was not intended to be a mechanism for recount. No matter what type of system or machine is used, there will always be someone who is critical of the process.

SENATOR MATHEWS:

During testimony, people complained of the machines jamming.

CHAIR RAGGIO:

A paper ballot can jam. This is why you do not want to use it for a recount.

MS. RAI-NIELSEN:

During the last election cycle, we had two recounts; one in Churchill County and one in Eureka County, and it was a major issue clarifying for the individuals involved. The audit is to ensure the machines are working and periodically double-checking the results. The counties are required by statute to check a certain percentage randomly. When a machine acts up, they can check the machine. If you treat the paper trail as a ballot, it can create confusion and legal liabilities from the disabled community since it is not in Braille.

SENATOR MATHEWS:

I want to make sure people know these machines are no more tamperproof than any other process.

CHAIR RAGGIO:

Decision unit E-325 is \$25,000 in reserve funding to support poll-worker training. How is it dispersed?

E-325 Services at Level Closest to People – Page ELECTED-117

MR. ANDERSON:

The \$25,000 is a lesser amount than proposed in previous years. We have all of our machines in place and a majority of poll workers have had at least one session of training. We have two new county clerks this year with new staff. From municipal elections through 2008, there will be a need for us to make trips to each county to ensure there is a familiarity with the machines and everyone knows the testing process and procedures.

SENATOR BEERS:

Can we expect a bill regarding the statewide voter database?

MR. MILLER:

When we implemented the statewide voter registration database, we implemented emergency regulations and we will be putting those forward for permanent regulations.

SENATOR BEERS:

Will this go through the Legislative Commission?

MR. MILLER:

The meeting is tomorrow.

SENATOR BEERS:

Apparently, this has not replaced Clark County's system.

MR. MILLER:

Do you mean in terms of collecting registration data?

SENATOR BEERS:

No, I mean in terms of keeping it.

MR. MILLER:

Clark County will collect all of their information and feed the information to us nightly; there is a 24-hour requirement. We maintain all of the information. Once we have all of the information, we run it against the vital statistics and DMV databases. It is currently being run through the criminal repository at the county level, but we are in discussions with the Department of Public Safety to bring it into our system as well.

SENATOR BEERS:

Do you then notify the counties, electronically, of anything you have discovered?

MR. MILLER:

Yes.

SENATOR BEERS:

Are we looking for people who are registered in more than one county as well?

MR. MILLER:

Yes. We are flagging the people who have moved to another area and neglected to cancel their registration.

SENATOR BEERS:

Can you provide the Committee with figures on the number of registration problems you have found?

MS. RAI-NIELSEN:

We went into production with the statewide voter registration system in April, prior to the 2006 election cycle. When we ran the duplicate reports, we cleaned up over 10,000 duplicates. It opened a new transparency to the process. If the voter does not tell the new county they previously lived in a different county, the new county has no means of notifying the old county the voter has moved. In this short period of time, the voter-registration records have been cleaned up tremendously.

SENATOR BEERS:

When do you expect public access to the system will be available?

MR. MILLER:

It should be available within a week.

SENATOR BEERS:

How will access take place?

MR. MILLER:

There is a form to register with and a declaration stating the information will not be used for any purpose other than intended. We also notify the registrant the use of the information for any other purpose would be felony for filing a false document with the Secretary of State's Office. Once the form is complete, the user would have access to the database.

SENATOR BEERS:

Will this be a text file like the one Clark County uses?

MR. MILLER:

The user selects the format type. In addition to Clark County's format, we will utilize a search function.

SENATOR BEERS:

Are you retaining the voter-identification number which is unique in each of the county's records?

MS. RAI-NIELSEN:

Yes. The statutes state a unique identifier cannot be assigned to the voter unless an affidavit is signed declaring he has no driver's license or social security number and wants an identifier assigned. We keep an internal tracking number on everyone, but, under the statute, we cannot assign it until the county clerk has the affidavit on record.

SENATOR BEERS:

Is this something we need to change?

MS. RAI-NIELSEN:

It is something we should look into.

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SENATOR BEERS:

Please give the Nevada Revised Statute reference to Senator Cegavske.

Are you also retaining the voter history, to the extent the counties have provided, in your database?

MS. RAI-NIELSEN:

Yes. It goes back to about 2004. We are limited to the information which the counties have captured in the past and the parameters of what we collect in our system. Expanding the voter history will be a phase we look at in the next few months.

SENATOR BEERS:

At this point, it sounds like you have lost everything before 2003.

MS. RAI-NIELSEN:

The counties have the information. We will work on a system to incorporate acquiring more of the voter history into our system.

SENATOR BEERS:

Does your database have a field containing the voter-registration number?

MS. RAI-NIELSEN:

Yes.

SENATOR BEERS:

With the registration number, a data processor could tie it back to Clark County's files by matching the field values and access the historic voting activity for an individual.

MS. RAI-NIELSEN:

I will double-check how far back our system goes.

SENATOR BEERS:

If you have the voter-registration number, it does not matter how far back you go. As long as the county maintains it and makes it available electronically, a programmer can match the unique number common to both records.

MS. RAI-NIELSEN:

Yes, it would be possible.

SENATOR BEERS:

Can you supply the Committee a summary of the actions you sent back to counties by classification of duplicate registration, vital statistics and all other categories?

MS. RAI-NIELSEN:

We will send you the statistics which were prepared for the U.S. Department of Justice.

CHAIR RAGGIO:

The next budget, B/A 101-1053, is the budget for investigations and enforcements.

SOS - Investigations and Enforcements – Budget Page ELECTED-119 (Volume I)
Budget Account 101-1053

MR. MILLER:

This budget is a securities revolving fund consisting of miscellaneous fines collected by the Division. It is not a reliable source of income.

CHAIR RAGGIO:

I will have our staff work with you to determine if the vehicle requested in E-327 can be purchased with revolving-fund monies rather than vehicle-depreciation funds from the State Motor Pool.

E-327 Services at Level Closest to People – Page ELECTED-120

We will now open the hearing on Senate Bill (S.B.) 182. This bill makes a supplemental appropriation to the Department of Education in the amount of \$125,000 for this fiscal year.

SENATE BILL 182: Makes a supplemental appropriation to the Department of Education, other state education programs, to fund the Counselor National Board Certification Program. (BDR S-1250)

KEITH RHEAULT JR., PH.D. (Superintendent of Public Instruction, Department of Education):

As you stated, S.B. 182 would provide a supplemental appropriation to pay the 5-percent salary increase for nationally-certified school counselors and psychologists. We had 40 new individuals qualify this year. Last year's funding had a \$16,000 carryover from the previous year. We are requesting this supplemental appropriation to cover the costs for those additional individuals who received qualifications this year.

I did an update to determine how many individuals in the system are currently nationally certified. At this time, there are 878 counselors and 202 school psychologists in the system and 136 hold national certifications, representing about 12.5 percent.

CHAIR RAGGIO:

Is the full \$125,000 anticipated to be used?

DR. RHEAULT:

We currently have expenses of \$100,000 through the first semester of the school year and have requested the additional \$25,000 for those who will submit certifications in the second semester. We have not received all of the necessary information from the school districts.

CHAIR RAGGIO:

I spoke to the Budget Office, and they are aware there will probably be an additional \$1.5 million General Fund supplemental appropriation for teacher-signing bonuses. Do you have any comment?

DR. RHEAULT:

I believe Mr. Wells can expand on the issue. He submitted the final figures last Friday.

CHAIR RAGGIO:

Are there any other items likely to require supplemental appropriations?

DR. RHEAULT:

At this point, we do not believe so.

JAMES WELLS (Deputy Superintendent for Administrative and Fiscal Services):

Currently, there three items requiring supplemental funds; school counselors, teacher-signing bonuses, and a shortfall for the retired employee group insurance. All three have been submitted to the Budget Office with dollar amounts attached to them.

CHAIR RAGGIO:

If there is no further testimony on S.B. 182, we will open the hearing on S.B. 193.

SENATE BILL 193: Makes appropriations to State Public Works Board to provide early funding for capital improvement projects at Ely State Prison and Grant Sawyer Office Building. (BDR S-1346)

Senate Bill 193 is an issue we heard in the Joint Subcommittee with the Assembly Committee on Ways and Means. This bill is to provide early funding for two capital improvement projects. One is for air-conditioning and related expenses for Ely State Prison, and the other is for tile replacement at the Grant Sawyer Office Building.

GUSTAVO NUNEZ (Interim Manager, State Public Works Board, Department of Administration):

The first section of this bill, for the Ely State Prison, will allow us to complete this work without significant disruption to the operations of the prison.

CHAIR RAGGIO:

The Committee understands this is a portion of the total amount required for repairs to the heating and air-conditioning system. Is the \$341,525 being requested for FY 2006-2007?

MR. NUNEZ:

Yes. The rest will be coming with regular capital improvement project (CIP) funds in July. We should be able to finish all of the work by the end of July. This funding is for work we can complete between April and the end of June.

CHAIR RAGGIO:

The second section of the bill is for early funding for the tile replacement at the Grant Sawyer Office Building.

MR. NUNEZ:

This funding will allow us to complete the north face of the building and continue through the completion of the project without having to demobilize and then remobilize after July 1, 2007. There is also a provision with respect to the 10 percent we have in change orders. This will allow the prime contractor to issue a change order to the subcontractor without having to negotiate a new contract.

CHAIR RAGGIO:
What necessitated this additional amount?

MR. NUNEZ:
The additional amount is due to unforeseen conditions found beneath the substrate of the tile once the demolition was completed.

CHAIR RAGGIO:
Is this on the north face of the building?

MR. NUNEZ:
This is for the unforeseen conditions we have been finding along the north face of the building as we do the demolition.

CHAIR RAGGIO:
You indicated the reason for early funding, if not funded at this time, is there will be demobilization. Can you explain?

MR. NUNEZ:
The contractor will have to stop all work and move off site. We would have to decide whether or not to continue paying rent on the scaffolding or completely remove it and put it back up after July 1. The majority of the efforts the contractor has on site would have to be removed and returned after July 1.

CHAIR RAGGIO:
When will work stop if funding is not approved?

MR. NUNEZ:
Work would stop by the end of April.

CHAIR RAGGIO:
What is the additional authorization for allowing change orders not exceeding 10 percent?

MR. NUNEZ:
It will allow us to amend the existing contract to add items without renegotiating, potentially avoiding costs above those negotiated in the original contract.

SENATOR COFFIN:
There is language in this bill about the fountain. If you will recall, in a previous meeting, I objected to the demolition of the fountain. Is demolishing the fountain in your plans?

MR. NUNEZ:
No, your staff will be receiving our revisions this week, one of which is a change in scope for this CIP. The fountain will be repaired and will not be removed.

SENATOR COFFIN:
Do you have an estimate on the cost of repair?

MR. NUNEZ:
The total cost in the CIP will not change.

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SENATOR COFFIN:

Can we use prison labor for the labor-intensive project of cleaning the fountain?

MR. NUNEZ:

The Buildings and Grounds Division would have to address your question. We plan to add water treatment, deepen the channel and add a skimmer to reduce the maintenance required.

CHAIR RAGGIO:

Is there a savings on the Ely budget as a result of this bill?

MR. GHIGGERI:

Yes. The savings is approximately \$1.8 million.

CHAIR RAGGIO:

Is the budget for the tile the same as what is recommended in the Governor's recommended budget?

MR. GHIGGERI:

It is within about \$15.

SENATOR TITUS:

I appreciate the savings which can accrue by doing this work early, but I also see this as a way to circumvent the Education First Amendment. Can staff tell the Committee how many more of these supplemental bills we will be addressing?

MR. GHIGGERI:

Initially, there were a number of projects identified which required early funding. Most of those projects are not currently requested. This legislation, as it is written, would require all spending be completed before June 30, 2007, consequently, this bill fits within the Education First requirements.

There are currently no similar bills being requested by the Public Works Board.

CHAIR RAGGIO:

We will now close the hearing on S.B. 193.

We will hold S.B. 182 until we get the amendment for the additional amount for the teacher-signing bonuses. Mr. Clinger is indicating the amendment can be ready later this week.

At this time, it would be prudent to take action on S.B. 193.

SENATOR BEERS MOVED TO DO PASS S.B.193.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

SENATOR MATHEWS:

Was the lawsuit finalized on the Grant Sawyer Office Building?

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CHAIR RAGGIO:
This does not affect the ongoing litigation.

There being no further business before the Committee, the meeting is adjourned at 10:15 a.m.

RESPECTFULLY SUBMITTED:

Michael Bohling,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____