

**MINUTES OF THE  
LEGISLATIVE COMMISSION'S BUDGET SUBCOMMITTEE**

**Seventy-fourth Session  
January 25, 2007**

The Legislative Commission's Budget Subcommittee was called to order by Chair William J. Raggio at 8:30 a.m. on Thursday, January 25, 2007, in Room 4100 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.

**SENATE COMMITTEE MEMBERS PRESENT:**

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

**COMMITTEE MEMBERS ABSENT:**

Senator Dean A. Rhoads (Excused)  
Senator Bob Coffin (Excused)

**ASSEMBLY COMMITTEE MEMBERS PRESENT:**

Mr. Morse Arberry Jr., Chair  
Ms. Sheila Leslie, Vice Chair  
Ms. Barbara E. Buckley  
Mr. Mo Denis  
Mrs. Heidi S. Gansert  
Mr. Tom Grady  
Dr. Joe Hardy  
Mr. Joseph M. Hogan  
Mrs. Ellen M. Koivisto  
Mr. John W. Marvel  
Ms. Kathy A. McClain  
Mr. David R. Parks  
Mrs. Debbie Smith  
Ms. Valerie E. Weber

**STAFF MEMBERS PRESENT:**

Steven J. Abba, Principal Deputy Fiscal Analyst  
Gary L. Ghiggeri, Senate Fiscal Analyst  
Larry L. Peri, Principal Deputy Fiscal Analyst  
Mark W. Stevens, Assembly Fiscal Analyst  
Jo Greenslate, Committee Secretary

**OTHERS PRESENT:**

Susan Martinovich, Director, Director's Office, Nevada Department of Transportation  
Richard J. Nelson, Assistant Director, Operations Division, Director's Office, Nevada Department of Transportation

Scott Rawlins, Deputy Director/Chief Engineer, Director's Office, Department of Transportation

Robert Chisel, Assistant Director, Administration, Director's Office, Department of Transportation

Virginia (Ginny) Lewis, Director, Department of Motor Vehicles

Jeanne Greene, Director, Department of Personnel

Kim Foster, Administrative Services Officer, Department of Personnel

Allen Biaggi, Director, State Department of Conservation and Natural Resources

Pete Anderson, State Forester, Division of Forestry, State Environmental Commission, State Department of Conservation and Natural Resources

David K. Morrow, Administrator, Division of State Parks, State Department of Conservation and Natural Resources

Tracy Taylor, State Engineer, Division of Water Resources, State Department of Conservation and Natural Resources

Leo Drozdoff, Administrator, Division of Environmental Protection, State Department of Conservation and Natural Resources

Pamela B. Wilcox, Administrator and State Land Registrar, Division of State Lands, State Department of Conservation and Natural Resources

Kay Scherer, Deputy Director, State Department of Conservation and Natural Resources

Catherine Barcomb, Administrator, Commission for the Preservation of Wild Horses, State Department of Conservation and Natural Resources

Don Henderson, Director, State Department of Agriculture

Rick Gimlin, Deputy Director, State Department of Agriculture

John M. O'Brien, Administrator, Division of Plant Industry, State Department of Agriculture

Robert W. Buonamici, Acting Director, Department of Wildlife

Doug Hunt, Deputy Director, Department of Wildlife

CHAIR RAGGIO:

This is the meeting of the Legislative Commission's Budget Subcommittee. We will begin with the budget overview of the Nevada Department of Transportation (NDOT).

#### TRANSPORTATION – Overview (Volume III)

SUSAN MARTINOVICH (Director, Director's Office, Nevada Department of Transportation):

We have provided a packet of information entitled "Nevada Department of Transportation 2007: ([Exhibit C](#), original is on file in the Research Library). The oversight of the Nevada Department of Transportation (NDOT) is through Nevada's Transportation Board. It is a seven-member board, chaired by the Governor, and consists of the Lieutenant Governor, Attorney General, Controller and three at-large members. Our mission is to efficiently plan, design, construct and maintain a safe and efficient seamless transportation system. We want to improve safety, operate efficiently and effectively communicate to our customers. I plan to have a leaner and more efficient department that is accountable and, most importantly, work to improve customer service. Time is money, and the longer it takes us to make decisions, the more costly it is to our customers.

The NDOT has over 1,700 employees, a large percentage of which is in maintenance. We have four primary functions: engineering, administration,

construction and planning. There are three major districts across the State: Las Vegas, Reno and Elko, as well as minor districts throughout the area. We have over 45 maintenance stations across the State, located in areas that enable them to address the specific needs of those areas. In northern Nevada, we have snow issues. The majority of our maintenance staff is located in southern Nevada and address a variety of issues. The maintenance staff is typically the first responders for anything roadway-related and for flooding and snow events. The NDOT also responds to accidents and incidents working with the Nevada Highway Patrol and local law enforcement agencies.

The NDOT maintains and is responsible for nearly 5,500 miles of highways which are the majority of the State's most important highways. For the last 19 years, Nevada has been the number one growth state in the United States. We have slipped to number two, but are still growing rapidly. Not only do we have a tremendous percentage increase in our population, but more people are driving. In addition to our population growth, Nevada attracts many visitors. Of the 15 largest hotels in the U.S., 13 are in Las Vegas. We also have rural challenges. There are long stretches of highway in remote areas which we must keep in good condition for the safety of our citizens and visitors.

Nevada's major highways provide access for goods movement. With ports in Long Beach, Los Angeles, Oakland, Seattle and Vancouver, Canada, everything crosses Nevada to get to the East. In addition to population and truck traffic expansion, we have had double-digit inflation. Material costs for concrete, steel and asphalt have increased 44 percent in the last three years, resulting in a huge cut in available money to go toward projects. We have also seen a smaller number of bidders. Recruitment and retention is a challenge, especially in the areas of engineering, right-of-way and maintenance. We have a staff that stays with the agency, and in the next five to ten years, we will be losing almost 40 percent of our people with over 30 years of experience.

A couple of issues NDOT is dealing with regard right-of-way and funding. The NDOT is trying to balance the rights of property owners with obtaining the right-of-way to deliver projects. We are short of funding due to growth and inflationary challenges. While there are many challenges, we are prepared to meet them head-on building on our successes and accomplishments. We are number one in the U.S. for the smoothness of our roads and the condition of our bridges.

CHAIR RAGGIO:

I notice on the chart that indicates Nevada is number one in road smoothness, we rank fourth in the U.S. in overall cost effectiveness of State-maintained road systems. What does that mean?

MS. MARTINOVICH:

That means the money we spend goes directly into the roads, rather than staff wages or preparation.

CHAIR RAGGIO:

I thought we had infrastructure problems with bridges and overpasses.

MS. MARTINOVICH:

The bridge and overpass problems are single and isolated, and they do not affect structural integrity of the bridges. Our funding is from the State Highway Fund, and revenue in the State Highway Fund is from highway-user fees, license fees and fuel taxes from both State and federal levels. These revenue sources do not change with inflation, and generally have not changed in the last 15 years. Our expenditures from the Highway Fund do not all go to the NDOT. The Highway Fund also provides funding to the Department of Motor Vehicles (DMV), Department of Public Safety (DPS) and other State agencies. Many one-shot items come from the Highway Fund. The NDOT spends its money on three major functions. Construction and engineering comprise approximately 80 percent of our budget. Routine maintenance is 15 percent of our budget, and administrative costs consume only 5 percent.

CHAIR RAGGIO:

Earlier, you mentioned a decline in the number of construction company bidders. What is the reason? Are there fewer companies, too much business, difficulty in estimating due to inflation?

MS. MARTINOVICH:

It is a combination of many things. Nevada was one of the states in the last several years with an aggressive construction program. We were fortunate in having several large projects while states around us have been slowing down. There was a lot of interest in our State. Other states are now gearing up with projects of their own. Lately, there has been a shift from one or two bidders to three or four. We have been working with the Associated General Contractors of America (AGC) and other contractors to determine how best to package bids to make them available to more people.

CHAIR RAGGIO:

In the last few years, there have been contractors who have not performed up to expectations. They have had excessive delays in projects not attributable to the State but to their own endeavors. What happens in those egregious failure-to-perform situations? Are those contractors allowed to remain on an eligible list of bidders?

MS. MARTINOVICH:

We are working on that issue currently with better performance specifications to make incompetent contractors ineligible to bid on future projects. We are tied to low bidders as part of the *Nevada Revised Statutes* (NRS). Our only recourse is to not prequalify them for other projects, but we must write our specifications carefully so we do not preclude other contractors.

CHAIR RAGGIO:

Is there any legislation necessary in the area of poorly-performing contractors to accommodate your program?

RICHARD NELSON (Assistant Director, Operations Division, Director's Office, Nevada Department of Transportation):

Over the last two years, I could probably name all of the contractors you are talking about. We are working to address this problem on several fronts with the AGC and internally to review how we prequalify contractors and monitor their progress through the job process. The NRS provides us with the tools we

need to limit a contractor's prequalification, if it is appropriate, to restrict them from bidding on particular work depending upon what work is underway and their ability to execute that work. We are also working with the AGC to develop partnering agreements to provide a better understanding up front of what they can expect from the NDOT and what the NDOT can expect from the contractors. We are picking up the pace in developing new tools within the NRS guidelines.

MS. MARTINOVICH:

We distributed a copy of our PowerPoint presentation entitled "Nevada Department of Transportation Budget Presentation January 25, 2007" ([Exhibit D](#), original is on file in the Research Library). Our construction program is divided into three main types: capacity, preservation and other. Other includes such things as Intelligent Transportation Systems (ITS), other safety projects and the Congestion, Mitigation and Air Quality (CMAQ) Improvement Program. In expenditures on projects over the last five years, the majority of the capacity work has been in Clark County, and the majority of the preservation work has been in rural areas. We are losing ground in the amount of money spent on preservation and capacity with all of our projects.

The NDOT's approach to our preservation program is to be proactive as opposed to reactive. A simple overlay applied more frequently to prevent a road from needing an entire reconstruction saves \$4 for every \$1 spent. This preservation approach not only saves money, but prevents disruption to the public during the construction time. We have current needs but we need to look toward the future, in ongoing corridor and environmental studies, or we will be behind the eight ball. Many of the major highways in the State are in planning, environmental or beyond preliminary-design phase. We have an extensive landscaping stewardship program.

CHAIR RAGGIO:

Your [Exhibit D](#) includes a sheet entitled Corridor/Environmental Studies which includes super train. What is that?

MS. MARTINOVICH:

That refers to the proposed high-speed super train along the Interstate 15 (I-15) corridor from Los Angeles to Las Vegas.

CHAIR RAGGIO:

Are all of the items listed on the sheet either part of a current study or a planned study?

MS. MARTINOVICH:

Yes.

CHAIR RAGGIO:

You have listed U.S. 95 Washington to Kyle Canyon. Is this part of the proposal included in the Governor's Budget?

MS. MARTINOVICH:

Yes. The U.S. Highway 95 Washington to Kyle Canyon project is one of the blue ribbon projects for the future, and it is currently in the environmental stages.

CHAIR RAGGIO:

What is the status of the Interstate 515 (I-515) Spaghetti Bowl to Foothill project?

MS. MARTINOVICH:

That project is also in the environmental document stage.

CHAIR RAGGIO:

What about the Carson City to Stateline project?

MS. MARTINOVICH:

That is a corridor study. There is no project defined. The study is looking at the needs from Carson City to Stateline. It is south of Carson City in the Douglas corridor.

CHAIR RAGGIO:

What is the status of the U.S. Highway 50 East Anaheim to Las Vegas project?

MS. MARTINOVICH:

That is the Carson City to Fallon corridor study being conducted due to tremendous growth in Lyon County.

CHAIR RAGGIO:

What about the Pyramid Highway Stateline to Wadsworth, Sparks to Spanish Springs project?

MS. MARTINOVICH:

A line is shifted on the slide you have. Pyramid Highway is actually from Sparks to Spanish Springs, and the study is being conducted due to growth in the Spanish Springs area.

CHAIR RAGGIO:

Is that the Tahoe-Pyramid connector?

MS. MARTINOVICH:

No. That is a Regional Transportation Commission (RTC) project.

The NDOT has an extensive environmental landscape program. One of our successes in that program is evident when you are driving between Carson City and Reno. The south end of Washoe Valley on the east side has a wetlands mitigation bank. We established the bank so that when we have projects in northern Nevada that impact wetlands, we are able to use the area against that bank. There are over 170 species of birds that now live in that area. Instead of performing individual mitigations, by combining our resources and providing funding to other agencies, such as we are doing in southern Nevada with the tortoise, we are able to provide a better facility for the species we are trying to protect.

SENATOR BEERS:

Do you know how many species were there before we started this program?

MS. MARTINOVICH:

There were just a handful, not the magnitude of what we are seeing now, but I do not know the number.

SENATOR BEERS:

Could you find out and let me know?

MS. MARTINOVICH:

Yes. The NDOT works closely with our local partners, the RTCs of southern Nevada and Washoe County. Some of our activities are transit. The RTCs typically oversee the rural areas within their municipalities, and NDOT administers the urban transit program. Since our funding is limited, we try to maximize the bus systems and the transits in the rural areas. We coordinate with the agencies on their bicycle and pedestrian programs, including the Safe Routes to School Program, as well as with other states on rail programs. One example is coordination with California on rail routes from Sacramento along the Interstate 80 (I-80) corridor into Truckee and perhaps into the Tahoe area.

Information technology services and traveler assistance are huge in that sometimes you cannot build your way out of capacity issues, and a way to help travelers is to let them know what is going on. We have started a new 5-1-1 traveler information program which people can access through their cellular phones similar to other states' programs. The NDOT also utilizes changeable message signs to provide real-time information regarding traffic accidents or other road conditions. We have implemented a successful Freeway Service Patrol program in Washoe and Clark Counties which quickly removes people and vehicles blocking traffic and causing congestion from the highway.

CHAIR RAGGIO:

Where are the freeway service patrols located?

MS. MARTINOVICH:

In Washoe County, the freeway service patrols are primarily through the spaghetti bowl on Interstate 580 (I-580) and I-80. In southern Nevada, the patrols are located along the I-15 corridor and along the U.S. 95 corridor. Our challenge is to expand their hours of operation beyond peak times and find public-private partnerships to help fund the program.

Another NDOT program is the Nevada Strategic Highway Safety Plan. Tragically, there has been an increase in the number of fatalities in Nevada over the last four years. This year, we reached a record number of over 430 deaths. Working with other agencies, we developed a statewide executive safety committee. Along with the NDOT, the committee consists of law enforcement, the RTCs and the Department of Education. The committee has developed strategies to address key issues involved in fatal accidents such as driving under the influence, intersections, seat belt use and lane departures.

We have completed work on many of the corridors in the Las Vegas Valley and in Washoe County. We have completed work on I-15, are undergoing projects on U.S. 95, have completed truck-climbing lanes on I-80 heading to California and have made widening improvements between Fallon and Fernley to address growth in that area. Most have been capacity improvements, but we have also maintained a high-level preservation program to keep people moving across the

State. We are working to widen State Route 160 (SR 160), the two-lane road into the Pahrump Highway along with our partners in Clark County.

CHAIR RAGGIO:

What is the status of the Hoover Dam Bypass? I am aware of delays caused by management-union situations. If the bypass is behind schedule, how much is it behind?

SCOTT RAWLINS (Deputy Director, Administration Division, Department of Transportation):

There was discussion in Clark County regarding the pit the concrete company was using. That has been resolved. More recently, the high lines used to build the arch form across the canyon gave way in the wind. Since the wind was not substantial, there is an ongoing investigation to determine the cause of the collapse. Currently, the project is being reconsidered, the high lines are being re-fabricated, and there is an approximate two-year delay. It will be open in 2010.

CHAIR RAGGIO:

How is your working arrangement with Arizona?

MR. RAWLINS:

We have had a good partnership with Arizona, the Bureau of Reclamation and the National Park Service. In partnership with Arizona, we have also participated in funding the project.

CHAIR RAGGIO:

Regarding the I-580 freeway project, what is the status of the unused steel left behind by the first contractor?

MS. MARTINOVICH:

Much of the steel was left with us by the first contractor. We were notified, as part of the next bid package, it was available. The current contractor has the choice to use it. If he chooses not to use the steel, he will get salvage from it.

SENATOR MATHEWS:

Is the contractor on the Hoover Dam Bypass and the bridge across the Washoe Valley the same bridge contractor?

MS. MARTINOVICH:

No, it is not.

MR. RAWLINS:

The Central Federal Lands Highway Division is the lead agency on the Hoover Dam Bypass project due to the multiple jurisdictions involved.

MS. MARTINOVICH:

Upcoming projects include the I-15 design-build. The \$170 million mentioned in the Governor's Budget will go toward that project. Design-build is a new method of contracting for the NDOT, and it will be our first design-build project. Other states have had success with design-build projects, specifically Utah, in preparation for the Olympics. We are looking forward to this method of construction as a way to expedite projects.



CHAIR RAGGIO:

Under design-build, what are the roles of the architect and the contractor? Why is it more effective in some cases?

MS. MARTINOVICH:

Traditionally, the project is totally designed, put out to bid and then built. The designer works for the client which, in this case, would be NDOT. Under design-build, the fundamentals of the project are laid out including the limits, the scope of the work, where the client wants the bridges and the geotechnical work. Then it is bid, and the responders form teams that include designers and contractors. The teams bid on the project. The benefit is a portion of the work can be designed quickly, and the contractor can work on it while another portion is still in design.

CHAIR ARBERRY:

The *Executive Budget* shows the Highway Fund appropriation is approximately \$1.4 billion over the 2007-2009 biennium. Our staff and the NDOT discussed this and agreed there should be a \$150 million threshold in the Highway Fund. When our staff looks at all the information, it shows the balance will be below \$100 million. Can you describe how you anticipate this fund's balance projections for the end of the 2007-2009 biennium?

MS. MARTINOVICH:

Mr. Robert Chisel will make a presentation on the fund's balance projections. We are below the \$100 million mark in that regard, and we would cut back on some of our planned projects to balance the fund. Sometimes projects we have planned do not move forward as anticipated, and we watch the cash flow to see if we can shift funds around among projects. Our goal is to maintain a Highway Fund balance to enable us to pay our contractors and bills.

CHAIR ARBERRY:

Could you work with our staff and keep us abreast of which projects you are cutting back?

MS. MARTINOVICH:

Yes, sir.

Upcoming projects include more work on SR 160 on Craig Road to eliminate an at-grade railroad crossing and the next phase of the Carson City Freeway. In general, we are trying to obtain more diversity in our contracting arena through training and outreach. We do have a funding shortfall. The Blue Ribbon Task Force (BRTF) established by Governor Guinn had three objectives: to review the future needs of the NDOT, to review project costs and to evaluate funding options. The future needs of the Department include projects on nearly every road in and out of Las Vegas and the major roads in northern Nevada. As a result of identifying those projects, we have a \$3.8 billion shortfall in 2006 dollars. With inflation, this figure could be larger. Our needs far outweigh our funding. The BRTF, developed by the Governor, recommended solutions and ideas to address our funding. We will be working closely with those groups and this Committee in addressing and answering questions to provide the NDOT with funding for our future needs.

SENATOR CEGAVSKE:

On my drive from Lake Tahoe on U.S. Highway 50, I have noticed construction and traffic being diverted down to one lane. What is that project?

MS. MARTINOVICH:

It is a developer project to build an interchange for access into the property along the southern side of Highway 50. Drivers will be able to access Clear Creek Road and the adjacent property.

SENATOR CEGAVSKE:

I see the NDOT trucks at the site.

MS. MARTINOVICH:

The NDOT is administering the project because it is on U.S. Highway 50, and the contractor is under the NDOT's purview, but the primary funding source is through developer funds for access into his property.

SENATOR CEGAVSKE:

I did not see any money in [Exhibit C](#) for that project.

MS. MARTINOVICH:

We have \$1 million toward that project. There is a truck escape ramp on that corridor. Instead of relocating the escape ramp, we closed it and put the money we would have put toward that to the interchange. The developer is paying for the remaining cost of the interchange.

SENATOR CEGAVSKE:

Will we no longer have the truck-escape ramp?

MS. MARTINOVICH:

The truck ramp will still be there, but there was a conflict with housing development in that area. The interchange removes the conflict because we have the access closed, but the truck ramp will remain open.

SENATOR BEERS:

Does the \$3.8 billion shortfall not include the projects identified by the BRTF?

MS. MARTINOVICH:

It does include the projects identified by the BRTF.

SENATOR BEERS:

On the revenue side, there are \$500 million of bond proceeds over eight years. That seems light.

MS. MARTINOVICH:

That reflects the revenue from the current bonds we have issued to pay for the projects currently under construction.

SENATOR BEERS:

Does the liability we have been reading about in the newspaper anticipate we would never again issue transportation bonds?

MS. MARTINOVICH:

We plan to issue transportation bonds to fund the projects identified in the BRTF. The BRTF developed a strategy to raise revenue, on an annual basis, of about \$270 million to pay the bond debt we would need to issue for the new super projects. In other words, we would need to sell bonds to complete the super projects. We estimate we need approximately \$270 million a year to pay back the 20-year bonds.

SENATOR BEERS:

What is our current debt service?

MS. MARTINOVICH:

It varies from \$70 million to \$90 million a year.

SENATOR BEERS:

Is there bonding in this budget?

MS. MARTINOVICH:

Yes. The budget includes bonding for the projects currently being funded with bonds, but not for the future projects.

SENATOR BEERS:

I believe we have moved some bond proceeds into the Base Budget in this budget for the first time.

ROBERT CHISEL (Assistant Director, Administration, Director's Office, Department of Transportation):

In the 2007-2009 biennium, we have requested \$135 million in bond sales. That is the last in the series that started in 2000 for the previous series of Super Projects. The table, on page 47 of [Exhibit C](#), shows anticipated bond sales from 2006 to 2015. The chart indicates the current bond sale that took place in December 2006 and the \$135 million bond sale projected to take place in 2008. That is where the \$500 million came from. It was the 2006 to 2015 funding level; the \$3.8 billion is the shortfall from what we anticipate in revenues versus what the expenditures would be if we performed all of the projects. We determined how much revenue would have to be secured to sell bonds to fund the \$3.8 billion. We backed into it and determined \$270 million a year is needed in bond debt retirement each year spread out from 2006 to 2015. The bonds would be 20-year bonds.

SENATOR BEERS:

Over the eight-year period, are you anticipating the total proceeds from the bonds would only be \$500 million?

MR. CHISEL:

No. The \$500 million is only what is identified at this time.

SENATOR BEERS:

Now that the Budget Division has written bond proceeds into your Base Budget, it would seem selling bonds is a regularly-accepted way of funding transportation projects. If this \$3.8 billion shortfall is being created without anticipating any proceeds from bond sales, it would seem to be unduly alarmist because you will collect proceeds from bond sales.

MR. CHISEL:

The \$3.8 billion is the shortfall of money we need. We did not find an answer for the BRTF indicating we would bond all or part of it. The \$500 million is only what was in the current projections.

SENATOR BEERS:

Are you saying you have taken a long view of our costs without a long view of our revenue and come up with a shortfall?

MR. CHISEL:

Yes. But the revenue is all the identified revenue that the NDOT and the Highway Fund are going to receive, whether from gasoline tax, fuel sales, registration, licensing and so forth. At the time, the only revenue identified for bonds was \$135 million in 2008, approximately \$195 million in 2007 and about \$180 million in 2006 which rounded to the \$500 million shown in the chart. That was already identified.

SENATOR BEERS:

We regularly sell bonds to fund road construction projects and finance them over 20 years' time. That is an acceptable regular part of the way we conduct business. Therefore, we should have revenue from future bond sales to pay the shortfall.

MR. CHISEL:

The NDOT determined if we bonded the entire \$3.8 billion shortfall, we would not need the entire amount in the next eight years; we would need an additional \$270 million each year for the eight years.

SENATOR BEERS:

Is the present value of \$270 million over eight years \$3.8 billion?

MR. CHISEL:

No. The receipts of the bonds is \$3.8 billion; \$270 million a year would pay for those bonds. The bond payments would continue into the future, but if we had the revenue identified for eight years, we would assume it would continue until the bonds were retired.

ASSEMBLYMAN HARDY:

Are you saying if we did not bond, we would have a \$2.1 billion shortfall?

MR. CHISEL:

If we did not bond at all, we would still have a \$3.8 billion shortfall. The NDOT would have to come up with the \$3.8 billion if we are to complete the proposed projects.

ASSEMBLYMAN HARDY:

If we bonded, it would actually be a debt service of \$70 million to \$90 million a year. Our \$3.8 billion shortfall would actually be a greater shortfall if we bonded and had a debt service. We would have an average \$80 million debt service over 20 years in addition to the \$3.8 billion. Is that correct?

MR. CHISEL:

We need to find a way to receive \$3.8 billion to build the projects as proposed. The \$3.8 billion could be funded many ways. One of the methodologies would be to sell \$3.8 billion worth of bonds over the eight-year period. If we did that, the bond payments over the eight-year period would be approximately \$1.3 billion. The bond payments would continue for 20 years and those bonds would be paid off.

ASSEMBLYMAN HARDY:

You are saying the \$1.3 billion would be in addition to the \$3.8 billion. If someone gave us a check for \$3.8 billion today, that would pay it off. If we sold bonds, it would be a \$5.1 billion shortfall.

MR. CHISEL:

There would be additional interest. I do not know what the interest would be. I could find out what the interest would be over 20 years.

ASSEMBLYMAN HARDY:

That was my question. I thought you said the \$1.3 billion would be in addition to the \$3.8 billion.

MR. CHISEL:

That would be the bond payments for the eight-year period we were discussing. Payments will extend into 2035.

ASSEMBLYMAN HARDY:

We would have more projects coming onboard during that period of time and would have used up our bonding opportunity. We would then be in the same position, trying to determine how to get more money for the next projects to go along with the growth.

MR. CHISEL:

That is correct.

SENATOR MARVEL:

What is the recommendation of the bond council? Is it that there is not enough projected revenue in sight to pay the additional \$3.8 billion?

MR. CHISEL:

That is correct. We do not have enough bonding capacity to bond \$3.8 billion with current revenues. We would need at least twice the coverage to be able to issue bonds. Currently, our bond ratings are good, AA+, and as the debt increases, the bond rating decreases, the cost of issuance increases and so forth.

SENATOR MARVEL:

That is the point. You would not be able to sell your bonds.

MR. CHISEL:

Yes. At some point you will stop selling, and at some point, you pay a high-interest rate. There is a sliding scale.

SENATOR BEERS:

Do we have a schedule of our existing bonding capacity for the next eight years we can compare against the liability?

MR. CHISEL:

We have discussed that with our bond adviser who was looking at another \$250 million above and beyond the \$135 million. There are several ways in which you could look at bonding capacity, including yearly future debt payments that can be made and financial coverage ratios before the bond rating starts to diminish.

SENATOR BEERS:

Are you saying over the next eight years, we could only borrow up to twice as much as we plan to borrow the next biennium?

MR. CHISEL:

We looked at the next biennium. As the revenue increases, the bond debt coverage could increase. In 2010, the first bond we issued in 2000 would be paid off and additional capacity would be generated.

SENATOR BEERS:

With all that, we still can only borrow another \$250 million over the next eight years?

MR. CHISEL:

No. The NDOT and the bond advisor only studied the 2007-2009 biennium.

I will briefly cover some of the highlights of the NDOT's 2007-2009 biennium budget including the capital outlay category, the bond sale which we discussed, requested positions, equipment and an item we included for inflation. The NDOT is requesting a budget of \$1.4 billion for the 2007-2009 biennium, \$694 million for FY 2007-2008 and \$704 million for FY 2008-2009. As a comparison, the 2007 budget is currently \$810 million. The capital outlay category 06, Buildings and Land Improvements, represents approximately 67 percent, two-thirds of the Department's budget, and contains the Department's construction project payments. Category 06 is \$940 million for the biennium, or \$470 million for each year of the biennium. Federal reimbursements are included as long as the capital proceeds are also in the capital outlay category.

The federal reimbursement is expected to be \$225 million a year. While this budget is not tied to specific projects, it represents the Department's fiscal responsibility for the biennium or what we could afford at the time the budget was prepared. This is a decrease of approximately \$187 million over the current biennium. The NDOT's FY 2007-2008 budget includes bond sales of \$135 million. This \$135 million was the last in the series we have been talking about since 2000 for the super projects we accelerated. The \$135 million bond issue would mean the Department has issued \$1 billion worth of bonds or we have had proceeds of \$1 billion worth of bonds for that time period. The current projected bond sale would earn 5.5-percent interest.

Currently, the Department has 1,747.1 full-time equivalent (FTE) positions. The budget requests 20 new positions. This is an increase of approximately

1 percent. The new positions are geographically dispersed throughout the State; one in Ely, five in Carson City, five in Reno and nine in Las Vegas.

Another item in our budget is equipment. Each year, the Department replaces a portion of our licensed mobile-fleet units. We have approximately 2,600 units including snowplows, backhoes, motor graders and vehicles. The budget is flat for equipment replacement. We have been hit hard due to inflation of equipment prices, and the new diesel engines required for many of the trucks is raising the cost of the vehicles. We are not replacing as many vehicles as we have in the past. The average age of the vehicles being replaced is 13 years. We hope to replace approximately 7.5 percent of our fleet in the next biennium.

Due to inflation in the cost of road-maintenance materials, the Department is also requesting an agency-specific inflation item in decision unit M-101.

#### M-101 Inflation - Agency Specific – Page NDOT-3

MR. CHISEL:

The request is \$21.7 million for the biennium; \$8.9 million for FY 2007-2008 and \$12.8 million for FY 2008-2009. It is for the purchase of road-maintenance materials including such items as salt and sand, guard rails, chips, liquid asphalt and traffic paint. The adjustment for inflation covers materials purchased directly by us. It does not include the inflation cost of contractors which is in the capital outlay category. The Highway Fund balance is currently projected with the DPS, the DMV and other budget requests to be \$92 million at the end of FY 2008-2009.

CHAIR RAGGIO:

That leads us back to the question we asked initially about the need to maintain the historical balance of \$150 million.

MR. CHISEL:

Several years ago, the Highway Fund had a target of \$100 million. As our program increased, particularly with the construction program increasing dramatically, we increased our target-cash balance to \$150 million. We were looking at two months of expenditures we would normally foresee out of the Highway Fund.

CHAIR RAGGIO:

Is the \$90 million you are currently projecting going to be enough to guarantee solvency?

MR. CHISEL:

It is getting quite low.

MS. MARTINOVICH:

In closing, we know transportation affects everyone. We realize our numbers indicate we do not have enough money for all our planned projects, and something will have to be eliminated. We will do our best to prioritize our projects to keep pavement on the ground.

CHAIR RAGGIO:

The Committee is still unclear about the discussion regarding inventory, the \$3.8 billion worth of projects. When I add the numbers on the sheet, the total exceeds \$3.8 billion for needed projects. I am uncertain what will be available through traditional bonding, what the limits are for those purposes, and I need to get a better handle on this issue. Would you and staff prepare a one-page summary of the problem and potential solutions?

MS. MARTINOVICH:

Absolutely, Chair Raggio.

SENATOR MARVEL:

When you have completed your water inventory results, could we have a copy of it?

MS. MARTINOVICH:

Yes. We will provide that.

CHAIR RAGGIO:

The next budget overview will be that of the Department of Motor Vehicles (DMV).

#### MOTOR VEHICLES – Overview (Volume III)

VIRGINIA (GINNY) LEWIS (Director, Department of Motor Vehicles):

My presentation today will cover some of the DMV's accomplishments over the last two years, our revenue projections and the status of the 22-percent cap, highlights of the Governor's Budget for the next biennium and the federal Real ID Act. Each of you has been provided a binder containing our budget overview ([Exhibit E](#), original is on file in the Research Library).

The DMV's accomplishments over the last two years include a dramatic shift in our motor vehicle environment. In 1997, we started re-engineering the DMV, finding ways to streamline our processes and implement a "one-stop-shop" concept. In the early 2000s, we took on the challenge of the Internet and bringing government to our customers. Much of what is in the *Executive Budget* for the DMV centers on security and fraud. While we continue to be committed to ensure we license only safe, knowledgeable drivers, we are also entrusted with thoroughly verifying the identity of those who apply for a driver license or identification (ID) card and being an advocate of the one-license, one-record and one-identity concept.

The average wait time at the southern metropolitan offices in FY 2005-2006 was 56 minutes while the average was 53 minutes in FY 2004-2005. While we are still, on average, within the 60-minute wait time in southern Nevada, we were as high as 70 minutes in July. There are a variety of factors contributing to this such as the number of vacancies and higher customer counts; overall, we are beginning to see wait times creep back up. For all of the innovative solutions we have implemented over the past six years, growth continues to be working against us.

In northern Nevada, our Galletti Office was recently recognized as the "most improved." Their lowest average wait time was 24 minutes in December 2006



compared to a high of 108 minutes in July 2005. This dramatic improvement is due to significant operational changes. The Carson City field office still has the characteristics of a small town and has consistently averaged a 24-minute wait time over the past three years. Alternative technologies, which have contributed to reducing customer wait times, include implementation of kiosks for customers renewing their registration, driver license or reinstating insurance suspension due to a lapse in coverage. We currently have 29 kiosks located in 23 different locations around the State. In addition to the kiosks in most DMV offices, we have entered into public-private partnerships with the Automobile Association of America, Nevada Utilities and Berry-Hinkley, owners of Winners Corners. In 2006, over 217,000 transactions were completed at the kiosks. This is a 32-percent increase over 2005 when over 164,000 transactions were completed.

In the next few months, we will implement e-check on the kiosks as an additional payment option as well as drive record printouts. The 100,000 requests we currently receive from customers for drive records will be diverted to the kiosks and away from technicians processing those requests. We continue to educate the public toward using the Internet for vehicle registrations and driver-license renewals. In FY 2005-2006, over 455,000 registrations and driver license renewals were processed on the Internet compared to more than 383,000 in FY 2004-2005. When considering all the alternative technologies available, in FY 2005-2006, over 1.2 million transactions were processed through alternatives other than visiting a DMV office.

In December 2005, we rolled out the Vehicle Dealer Web Renewal Program allowing vehicle dealerships and salesmen to renew their annual business licenses online. During the renewal season, which just ended on December 31, 2006, 33 percent were processed online. We need to provide multiple payment options for our customers in order for alternative technologies to be successful. Credit-card usage is less desirable because fees are too costly, and not everyone owns a credit card. A debit card or e-check are more economical alternatives and are already available on the Internet. The DMV is in the process of implementing debit-card usage in the field offices and through the mail-in renewal process. When this functionality is implemented by the end of FY 2006-2007, we anticipate significant additional savings to the State.

Another significant accomplishment is the progress made on the motor carrier conversion project. The decision was made to move the motor carrier system in-house and eliminate our reliance on a contract vendor. During phase one in the 2003-2005 biennium, in-house Information Technology Division (ITD) staff developed a new fuel supplier tax program. This reduced the annual contract to the vendor by \$262,000 for every year thereafter. Nevada-licensed fuel suppliers began filing and paying fuel taxes electronically using the Website-based program in August 2005.

The 2005 Legislature approved funding for two positions in our ITD to design and program a Website-based motor carrier registration program and payment capabilities for 100-percent Nevada-based vehicles pursuant to the International Registration Plan. We are currently in phase two which is expected to be completed in September 2008 and result in additional savings of \$218,332 in subsequent fiscal years. Phase three will add the International Fuel Tax Agreement special-fuel-user tax reporting and payment capabilities. Once all

phases are completed, the net savings to the State will be about \$500,000 a year after factoring in ongoing costs for the programmers maintaining the system.

Training continues to be a priority for the DMV. The training unit is responsible for the eight-week new hire academy and the two-week supervisor, sexual harassment, fraud document, emission, computer and customer service training. There were 197 training classes taught to 1,879 DMV employees. The DMV is proud of our employees who graduated from the Certified Public Manager (CPM) program, a nationally-recognized leadership-development program for public managers and supervisors. This program is one of the key elements of the succession planning program of the DMV. A significant number of State employees will reach retirement eligibility during the next five to ten years, and the CPM program will help prepare the Department for that occurrence. Since the inception of CPM, 13 DMV administrators, supervisors and mid-level managers have graduated. Four more employees are scheduled to graduate in June 2007, and another six are projected to graduate in 2008.

The DMV's Fraud Unit (the Unit) within the Compliance Enforcement Division was created to ensure the DMV's processes are not used fraudulently. Much of their focus is on persons who use false or forged driver licenses, forged or counterfeited immigration cards, birth certificates or Social Security cards to obtain Nevada driver licenses or ID cards. Even more critical are investigations resulting in the apprehension of persons involved in identity theft or the counterfeit manufacture and sale of false IDs, driver licenses and vehicle ownership documents. In FY 2005-2006, the Unit opened 731 new fraud cases.

Before I begin discussing the highlights of the Governor's Budget for the DMV, I will update the Committee on where we are with our Highway Fund revenue projections and the 22-percent cap. The DMV is restricted to receiving up to 22 percent of what we revert to the Highway Fund. We are projecting to distribute over \$283 million in FY 2007-2008 and \$296 million in FY 2008-2009 to the Highway Fund. Those monies do not include the \$200 million plus distributed to the Highway Fund from gas-tax collections. Based on the Governor's recommended budget for Highway Fund authorization for the DMV, our need is \$55.8 million in FY 2007-2008 and \$59.7 million in FY 2008-2009; 19.5 percent and 20 percent, respectively, of the available 22 percent.

The *Executive Budget* requests a total of 54 positions for the biennium, exclusive of those requested in the Real ID budget which I will address later. The ITD has requested four positions that include staff to control and maintain the Department's system profiles and security environment. Included in the four positions is an information system specialist III to assist with completion of the Motor Carrier conversion project and ongoing maintenance of this complex system. A lead revenue officer is requested for the Motor Carrier Division to oversee the revenue unit and increased revenue activity.

The Compliance Enforcement Division has requested a team of eight positions to oversee the stolen vehicle program. Presently, all new vehicle-owner transactions that occur within the DMV database are checked through the National Crime Information Center to prevent stolen vehicles from being

transferred. The DMV implemented the National Motor Vehicle Title Information System (NMVTIS) in 2006. This system provides an electronic means for state motor-vehicle-titling agencies to exchange titling, brand and theft data with states, law enforcement officials, individuals, used-car dealers and insurance companies.

The Field Services Division has requested staff for the Pahrump office due to increased customer activity. Staff for the Decatur and Sahara Offices is requested to provide 100-percent window coverage. These positions have been placed in reserve and, if approved, the Department would approach the Interim Finance Committee (IFC) for funding at the point that the average wait times increase to an unacceptable level. Staff for the West Flamingo office is requested to provide coverage for additional windows resulting from a remodel also requested by that office in the Governor's Budget. We are requesting five microfilm operators in the Central Services and Records Division budget to continue eliminating the backlog of millions of documents waiting to be scanned.

Another enhancement recommended in the Governor's Budget is a shift in how we issue driver licenses. Our plan is to convert from an "over-the-counter" process to "central issuance." The driver license is the most widely accepted proof-of-identity document. It is the single most important document used to open a bank account, board an airplane, enter government and other secured facilities and purchase age-restricted products. As the driver license credential has become increasingly more secure and tamper resistant, the actual process of acquiring the driver license has become the new target of opportunity for criminals and identity thieves. If they cannot alter an existing driver license or produce a convincing counterfeit, criminals attempt to acquire a legitimate driver license using a false identity. Identity thieves and criminals do this by presenting fraudulent identity documents to apply for a driver license or ID card. These breeder documents include birth certificates, Social Security cards, naturalization papers, employment cards, passports, military IDs and hundreds of versions of state driver licenses. The production and distribution of false-breeder documents has become a large and sophisticated industry.

We have a responsibility to reduce identity theft and fraud, prevent multiple driver licenses from being issued to one individual and promote increased national security. Central issuance will allow us to compare and cross-check applicant images against the entire image database of facial templates. This provides a critical tool for law enforcement in conducting investigations.

The Governor's Budget recommends the use of title-processing fees to fund a new-technology solution to implement an electronic transmission of certain data fields from the Dealers Report of Sale that originates at the dealership at the time of sale. Once transmitted to the DMV database, a customer can then register a new vehicle on the Internet rather than going into a DMV office. Even if the customer chooses to register a new vehicle in an office, the vehicle information will already be in the database when they arrive, thereby significantly reducing the transaction time.

The Governor's Budget includes funding for five supplemental requests for FY 2006-2007 from the Highway Fund in the amount of \$2,214,497. There are two predominant factors for this amount. First, we have a shortfall in kiosk

funds due to increased usage and expanded public-private partnerships. Second, the Central Services budget is experiencing a revenue shortfall as a result of the repeal of the occasional-sales tax effective January 1, 2006.

The U.S. Congress passed the Real ID Act as part of the Emergency Supplemental Appropriations Act for Defense, Global War on Terrorism and Tsunami Relief Act. The Act creates national standards for the issuance of state driver licenses and ID cards. The Act establishes certain standards, procedures and requirements that must be met by May 11, 2008. The Real ID Act is not a federal mandate. However, should jurisdictions choose not to issue Real-ID-compliant cards, their driver licenses and IDs will not be acceptable at the federal level. Those individuals will not be allowed to board commercial airlines, enter federal buildings or apply for federal benefits such as Social Security or Welfare.

At this point, all we have is the Act as currently written. It lacks the detail necessary to understand the total impact. The draft regulations were officially sent to the federal Office of Management and Budget by the Department of Homeland Security (DHS) on January 2, 2007. We are told the best-case scenario for publication of the rules would be in July 2007.

The requirements of the Act are many. What this all means to any holder of a driver license or ID in the U.S. is that individuals will need to find their original birth certificate, identity documents, Social Security card, immigration documents or passport. During the reenrollment period, everyone must visit a DMV office to renew their driver license and be issued a Real-ID-compliant card. The options of renewing over the Internet, by mail or on a kiosk are gone. Individuals will be required to show evidence of lawful presence in the U.S. before being issued a Real ID credential with the validity of the license ID limited to the length of stay.

The identity documents provided by the customer must be verified with the issuing agency. This requires states to contact agencies such as the U.S. Citizenship and Immigration Services, the State Department, Social Security Administration and the issuing agencies for birth certifications. Transaction times will at least double for driver licenses or ID cards. Renewals will be processed as an original, equating to longer wait times. Our metropolitan offices are already operating at full capacity. The surge of customers will surpass the existing capacity of DMV. The frustration from our customers will be unprecedented. The DMVs across the country will exemplify bureaucracy at its finest.

The voices on Real ID are the National Governors Association (NGA), National Council of State Legislators (NCSL) and American Association of Motor Vehicle Administrators (AAMVA). We all share the goal of improving the security of state-issued driver licenses and ID cards and the integrity of the issuance process. To ensure Congress and the federal government understand the fiscal and operational impact of the requirements of the Real ID Act, AAMVA, in conjunction with NGA and NCSL, conducted a survey of all DMVs. This federal act will cost, at the national level, more than \$11 billion over five years, have a major impact on services to the public and impose unrealistic burdens on states to comply with the Act by May 2008. Our greatest concern is the DHS is not listening.

The Governor's Budget for the Real ID Act represents over \$30 million in Highway Fund appropriations over the 2007-2009 biennium. The \$30 million is only for the first two years of implementation. The reenrollment period for all holders of a Nevada driver license and ID card is four years. Based on what is known today, I project the total cost for Nevada to exceed \$66 million. The Real ID budget has been submitted outside the 22-percent cap for the Department. The Department has submitted a budget bill to exempt the costs associated with the implementation of the federal Real ID Act from the requirements of NRS 408.235(4).

A total of 196 positions have been recommended in the Governor's Real ID budget and represent the anticipated staff needed in the many facets of implementation. While the Real ID budget is somewhat overwhelming, there are costs that will cease at the end of the reenrollment period.

CHAIR RAGGIO:

In [Exhibit E](#), you have a breakdown of the budget for the Real ID Act. You have a total of approximately 250 new positions. It is our understanding the State must be certified by May 11, 2008. Does that mean all current licensees must have renewal licenses by that date?

MS. LEWIS:

I cannot answer that question until the federal rules are provided. We are proceeding under the assumption that effective May 2008, the cards we issue have to be Real ID-compliant. The reenrollment period is the period during which current licensees have to renew their driver licenses. When licensees renew, they will be issued a Real ID-compliant card. In today's world, licensees have eight years before they technically have to go into a DMV office for license renewal. In that four-year period, starting in May 2008, every driver will have to reenroll.

CHAIR RAGGIO:

Extended hours, you mentioned in the reenrollment, are what will consume the major amount of the new positions.

MS. LEWIS:

Yes. That is what is driving our thought that we will need to extend hours. We will have to bring into our offices, in a four-year period, over 1 million drivers.

CHAIR ARBERRY:

The sad part is we are already receiving complaints about DMV and the length of the wait time. With implementation of this Act, you have no idea how long the wait time will be. What happens if we do not comply?

MS. LEWIS:

The federal government claims this is not a federal mandate, and, at this point, I know of no monetary sanctions on any states. The hammer they are holding over our head is that if we do not comply, individuals will not be allowed to board airplanes or enter federal buildings. Every state is frustrated and asking what will happen if they do not comply.

CHAIR ARBERRY:

Everyone will have the same-looking ID throughout the U.S., and if a person does not have that type of ID, they will not be allowed on an airplane.

MS. LEWIS:

The logistics are unrealistic. With all of the state IDs and driver licenses currently in circulation and a four- and five-year reenrollment period, I would be surprised if the Transportation Security Administration employees are going to be able to keep track of what is legitimate and what is not.

CHAIR ARBERRY:

I do not see a request for funding for security. You will have people standing in line for hours, not realizing they do not have all the required paperwork. When they get to the window and you tell them they have to have something else, they are going to be unhappy.

MS. LEWIS:

We do have security, but you are right. That is why educating the public is critical. We must send every driver and ID holder a letter explaining the requirements. We envision a Website strictly for Real ID in Nevada, clearly stating what needs to be done. I envision shepherding this group into a separate area of a field office to guide them through the process. Also, having a call center with dedicated staff to only handle calls on Real-ID issues. After doing everything we can, I am sure we will still have customers who do not listen or who will say they are unable to produce their birth certificate. I hope the federal rules will give us some latitude to deal with the exceptions.

CHAIR ARBERRY:

I doubt the federal government will give you latitude. The sad thing is, we will all be affected by this. Our constituents will believe we are immune to these requirements, but we are not.

ASSEMBLYWOMAN WEBER:

Regardless of what we think about the overall mandate and whether or not we will be in compliance, from a practical project-management viewpoint, is it possible to hire 165 people by May 11, 2008? It does not seem possible to do everything that needs to be done in that amount of time.

MS. LEWIS:

To be honest, I do not believe we can do everything we have to do by May 2008, nor do I think there is a state in the U.S. who can implement all of the requirements by that date. Nevada is in good shape in certain areas. We currently provide document-fraud training to all our employees. We perform online security checks with Social Security. We have a modernized computer system. There are many states under a legacy environment. They will have to go through what we went through in 1999 and create a whole new system. I am concerned about project management for Real ID. Perhaps we could find a project manager in April rather than waiting until July. The coordination with every facet of our Department needs one person. Everyone in the Department is affected, and I cannot impact the rest of our operations just because of Real ID. A fear we have is finding contract computer programmers, because Nevada is not the only state looking for programmers to help with this project. We are looking at over 20,000 hours of programming time.

ASSEMBLYWOMAN SMITH:

In November, when you made the Real ID presentation to the IFC, you commented that the Real ID Act was passed without a hearing. Have you heard through any associations whether there is an appetite for Congress to revisit Real ID?

MS. LEWIS:

From AAMVA, who has been keeping the jurisdictions apprised of what is going on at the national level, the fact the Real ID was buried in this appropriations act and received no hearing is now starting to get the attention of much of Congress. Congress realizes, now that people are becoming more vocal, they have an issue on their hands. United States Senators Akaka and Sununu have introduced S4117, the Identification Security Enactment Act. The bill would repeal Title II of the Real ID Act, reinstate Section 7212 of the Intelligence Reform and Terrorism Prevention Act, establish negotiated rule making, require state conformance with minimum federal standards and authorize \$300 million annually to fund Real ID-compliance. They have not actually introduced this. They are waiting until the federal rules are established to introduce this bill. If the federal rules are not released in a reasonable and practical format, their plan is to introduce this bill. I am not familiar with the process in Congress, but I assume if this is introduced, we would stop until they determine what they want to do.

CHAIR RAGGIO:

From a practical standpoint, however, it is the law right now. If you want to blame someone, you would blame Osama bin Laden and the line of terrorists who have infiltrated the world. For prudence, we must prepare as if this law will go into effect. We only meet every two years for 120 days, and, therefore, must be prepared until advised that either there is a change or that there will be funding for state purposes. We will probably not know much until the end of our Session.

MS. LEWIS:

I agree. This law passed in 2005, as the Legislative Session was ending. I found out about it during the following summer. We had to put together a budget for the 2007 Legislative Session with little information. Based on what we knew and our assumptions, we have been able to build a budget. You are right. We have to proceed assuming, in the worst case, we will have to do something in May 2008.

ASSEMBLYWOMAN BUCKLEY:

I agree we must get started since it is currently the law. I wonder, however, if the two Chairs of the money committees, Senate Finance and Assembly Ways and Means, could detail the concerns with the bill, send them to our Congressional delegation and ask them to include this issue with Congress's plans when they come to deliver their address.

CHAIR RAGGIO:

That is a good idea. We will do that.

SENATOR MATHEWS:

How does this fit into the new passport requirements? Have we linked them in any way?

Ms. LEWIS:

When you talk to the Department of State, who issues passports, they talk about their requirements and the lack of strict rules for what name you put on a passport. Under the Real ID Act, your legal name has to be on the driver license. There is concern that a passport is not a legitimate document to be used as identification to obtain a Real ID-compliant card. On the federal side, their requirements are not strict, and yet they have strict requirements for the states. Our message to the Department of State is they need to have the same strict requirements they are imposing on the states. The passport is a sensitive issue.

SENATOR MATHEWS:

I am sensitive to all of the Real ID issues including hearing daily that we are moving toward a national ID. There are groups who are opposed to that. We should all be concerned. As an airport worker, we had to redo all of our security information, regardless of when it was last updated, by February 1, 2007. My driver's license was no good. If I had a passport, that was all I needed. Otherwise, I had to have three IDs. I was curious about whether these requirements will be linked.

CHAIR RAGGIO:

The newly-issued passports have a great deal more security systems than those issued in the past.

SENATOR MATHEWS:

Regarding maintenance of the kiosks, in the north, I have a problem with the kiosks every time I try to use one. It occurred to me that the only ones who can keep their machines operational are the gamers. Perhaps we could get some pointers from the gamers on how to keep our kiosks running properly.

Ms. LEWIS:

We are working closely with our kiosk vendor to elevate the level of service and ensure they are functional when a customer comes in to use them.

CHAIR RAGGIO:

At this time, the Department of Personnel will present its budget overview.

#### PERSONNEL – Overview (Volume I)

JEANNE GREENE (Director, Department of Personnel):

You received a handout entitled "State of Nevada Department of Personnel Budget Overview" ([Exhibit F](#)). On page 2 is basic information regarding the Nevada Department of Personnel (NDOP). We have a Personnel Commission which is a body of five individuals appointed by the Governor. The Commission is responsible for adopting regulations dealing with personnel and reviewing classification appeals. There are two other committees that fall under our umbrella; the Employee-Management Committee, which hears employee grievances, and the Catastrophic Leave Committee, which hears appeals regarding catastrophic leave requests.

In [Exhibit F](#), NDOP has identified five goals for FY 2008-2009. They are to attract and retain a qualified workforce, provide progressive training and education to the State workforce, remove barriers to an efficient personnel system, maximize the use of technology to serve our customers and improve



the State employees' working environment. All of our enhancement units tie back to one of these goals. On page 3 of [Exhibit F](#) is a pie chart that reflects the nine major functional areas in NDOP and the resources allocated to each of these areas. The next page contains a line organizational chart for NDOP.

Two new positions are being requested, identified in orange, and one position is being transferred from the Department of Information Technology (DoIT) which is in green. The requested positions are an employee-assistance counselor for Elko and a discrimination investigator in Las Vegas. While State employee counts have more than doubled in the last 25 years, the number of employee-assistance counselors has remained the same. We have two counselors who serve over 16,000 employees. The work environment is more stressful, and personal problems are more prevalent than in past years. The addition of the position in Elko will serve to assist employee productivity and workplace relations. We are requesting an additional compliance investigator II for the Las Vegas office. The number of complaints remains high, and with the increasing employee population, it is necessary to have an additional position located in Las Vegas to address complaints in a timely manner.

The computer network specialist I position is being transferred from DoIT to our budget, since this individual works for NDOP 100 percent of the time, and it is more cost effective for him to be an NDOP employee.

KIM FOSTER (Administrative Services Officer, Department of Personnel):

You received a second handout from NDOP entitled "State of Nevada 2006 Salary & Benefits Survey" ([Exhibit G](#), original is on file in the Research Library). The NDOP is funded primarily from a uniform personnel payroll assessment. The personnel assessment is set each biennium as a percentage of all budgeted classified salaries in the Executive Branch. The current biennium assessment rates average slightly over 1 percent. In the 2008 budget year, the rate will be decreased by .05 percent, followed by an additional decrease in 2009 of .06 percent. The payroll assessment is a percentage of budgeted salaries served by the Central Payroll System. The current biennium assessment rates for payroll average approximately 32 percent. Over the next two years, this average rate will drop slightly. The reason for the decrease is because our reserves are a little high, and we need to spend them down to be in compliance with federal regulations.

MS. GREENE:

On page 6 of [Exhibit G](#) is a summary of our 2006 salary and benefits survey. The NDOP's findings show, on the average, State salaries lag behind the salaries of Nevada employers by 19.2 percent. This will be addressed by the Governor's proposed 6-percent cost-of-living allowance. Based upon the salary survey findings and review of turnover and vacancy rates, a number of classes were recommended to receive a 10-percent market-pay adjustment which is included in the Governor's Budget. Most of the classes recommended for a salary increase are in the medical-related field. However, we identified building construction inspectors, highway equipment mechanics and water treatment operators as also being significantly behind and difficult to retain.

CHAIR RAGGIO:

Whenever I engage in conversations regarding public sector salaries, the comment is made that our public sector salaries exceed those of the private

sector. Does the salary survey you referred to cover State salaries or public sector salaries?

Ms. GREENE:  
We are talking about State salaries.

CHAIR RAGGIO:  
Who performs the survey?

Ms. GREENE:  
The NDOP performs the survey.

CHAIR RAGGIO:  
Who do you survey?

Ms. GREENE:  
Page 3 of [Exhibit G](#) identifies the entities we surveyed. We try to include all of the cities, counties and private employers. It is difficult to get the private employers to participate because it is labor-intensive for them to identify like positions. We compare nurses in the State system to nurses in the hospitals.

CHAIR RAGGIO:  
Page 6 of [Exhibit G](#) states "Nevada employers represent a cross section of the largest employers from the private sector, city and county governments, school districts and hospitals." If you are including school districts, city and county governments, it is not a true comparison to private-sector salaries. I am trying to understand so I know how to respond when people say we are paying State employees too much.

Ms. GREENE:  
Inquiring individuals may be referring to the data provided by the Department of Employment, Training and Rehabilitation (DETR) which shows our salaries as higher. If that is the case, the information the DETR provides shows all the salaries of a company, for example, a casino. They compile all the salaries of all employees, including full time, part time, custodial workers and waitresses all the way up through management and then provide an average salary.

CHAIR RAGGIO:  
How do you compare waitresses whose compensation is mostly tips?

Ms. GREENE:  
Survey takers are looking at the actual salary the employer pays waitresses. Part of the skewing is they are including part-time workers which tends to reduce the salary projection.

SENATOR BEERS:  
The Internal Revenue Service's established regulations include most, if not all, of the tips reported to employers in those wage figures. Therefore, it is not a tip disparity. In addition to the DETR numbers, there is also a Census Bureau database published every year that includes hours worked and wages paid by job classification, by state and local government entity. While that does not allow a comparison to the private sector, it does allow comparison between levels of government. I was referring to data in a previous statement that shows

local government employees in Nevada, driven primarily by Washoe and Clark Counties, averaging in the top 10 percent across America compared to other local government employees. State of Nevada employees are approximately one-third from the top and the middle when compared to other state's employees within job categories.

CHAIR RAGGIO:

There is no question State salaries are lagging behind, at least in the major cities and counties in Nevada.

ASSEMBLYWOMAN MCCLAIN:

On page 3 of [Exhibit G](#), where you list Nevada public employers, I do not see Clark County listed.

MS. GREENE:

You are correct. I thought we had surveyed Clark County. I will verify whether we forgot to add Clark County to the survey results. I will provide that information to the Committee.

Page 41 of [Exhibit G](#) reflects that if we compare our salaries to the private sector in the State of Nevada, we lag approximately 8 percent. On page 46, when we compare our salaries to the public sector only, we lag by 22.5 percent.

SENATOR BEERS:

Do you include benefits value?

MS. GREENE:

We do not on this particular portion. We compile a separate survey for benefits, and that is just with the other public entities. It is difficult to compare benefits to private-sector employment. That starts on page 85 of [Exhibit G](#). It reflects that Nevada State employees are approximately 35 percent behind the cities and counties in Nevada.

SENATOR BEERS:

Our larger local governments pay both halves of the Public Employees' Retirement System contribution. State government does not. That is one of the sources of the benefits disparity. In the private sector, the total wages withheld for Social Security retirement benefits is approximately 12 percent compared to 20 percent withheld in the public sector.

MS. GREENE:

On page 7 of [Exhibit F](#) is an overview of the occupational studies that were conducted. This reflects for FY 2005-2006 through today, a period of about one and one-half years, we reviewed a total of 1,573 positions, 630 of which were reclassified upward, and 935 of which were not changed in classification. The total approximate cost to implement that upgrade is slightly over \$2 million. For the remaining portion of the 2007-2009 biennium, we plan to complete the fiscal management and staff services reclassifications which include a little over 1,000 positions. The correctional casework specialist and classification and planning specialist classes include 111 positions. We plan to survey the agencies to identify which classes need to be studied next.

I will now address a few initiatives in our budget request. In an effort to address the State's recruitment difficulties, we are requesting funding to attend 13 out-of-state university job fairs each year to attract graduating students to our hard-to-fill positions. The requested funding would allow one recruiter and one or two agency supervisors to attend the job fairs to provide specific information on positions, salaries, benefits, working conditions and quality-of-life information. The agencies will be able to make conditional offers of employment on the spot. To attract these students, it is necessary to have a physical presence at these job fairs. The universities targeted in our budget are those offering both nursing and social work degrees.

We are also requesting funding for preemployment drug testing for all classified and unclassified employees. We currently only have the authority to test for positions that affect public safety. Approval of this request will require a change in the *Nevada Revised Statutes*.

CHAIR RAGGIO:

Are you saying preemployment-drug testing would be required for all employees?

MS. GREENE:

That is correct. It includes unclassified employees as well.

ASSEMBLYWOMAN LESLIE:

Our current policy is testing only those who impact public safety. This would be a significant expansion. Are other public agencies testing every new employee? What is the rationale for testing all new employees?

MS. GREENE:

Ninety-three percent of companies nationwide, employing more than 500 people, perform preemployment-drug testing. We are one of the few entities that does not perform preemployment-drug testing.

ASSEMBLYWOMAN LESLIE:

What about other public sector companies? Do the school districts and counties now perform preemployment-drug testing?

MS. GREENE:

Yes. This would not provide for random-drug testing. Currently, we have for-cause testing, and that would still apply. According to the American Council for Drug Education, substance abusers are 10 times more likely to miss work, 5 times more likely to file a Workers' Compensation claim, 3.6 times more likely to be involved in a work-related accident and 33-percent less productive than nonusers.

ASSEMBLYMAN HARDY:

Regarding preemployment-drug testing, does an examination occur? In an anecdotal experience, a physician checks the patient, and they need a drug test at the time. I check for a hernia and they have a little bag next to their leg they can urinate from without giving their own urine. Are you looking at urine, blood or what is the mechanism?

Ms. GREENE:

It is primarily urine. There is a provision for blood also. We have contracts with several laboratories within the State, and they have a specific protocol. I am not certain how they capture the specimen.

ASSEMBLYMAN HARDY:

It is probably not a witnessed urination.

Ms. GREENE:

I can check on that. If the test comes back positive, it is reviewed by a medical professional. The professional contacts the potential applicant to review any medication they may be taking to see whether that has an influence on the positive test before it is reported to us.

ASSEMBLYWOMAN WEBER:

In the area of medical professionals, explain the recruitment costs associated with hiring them. For example, last biennium we were looking at hiring 99 psychiatric nurses and 23 psychiatrists for the Division of Mental Health and Developmental Services. I understand we did not complete that hiring. Additionally, there were insufficient recruiting costs to continue work in that area. The big-picture question is how to determine what types of recruiting costs go with what types of positions?

Ms. GREENE:

Recruiting costs are not specifically identified to particular positions or classes. We have a new recruiting system, which I plan to talk about next, where all of our positions are available online, and applicants can apply online. This is a benefit in recruiting, especially from out-of-state resources. For the medical positions, we provided the Southern Nevada Adult Mental Health Services almost \$24,000 of advertising money last fiscal year. We advertised primarily in trade journals they identified as reaching their targeted audience.

ASSEMBLYWOMAN WEBER:

Are you saying \$24,000 was set aside for that particular project to hire 150 professionals from across the country?

Ms. GREENE:

Yes, that is correct.

ASSEMBLYWOMAN WEBER:

We fell short. Are we planning to make adjustments to recruit medical professionals? That is where we are falling behind.

Ms. GREENE:

We intend to target nurses and medical professionals in our out-of-state job fair recruitment.

Ms. FOSTER:

I will review a couple of training initiatives. The NDOP launched the nationally accredited Certified Public Manager (CPM) program in July 2004 to address succession in leadership issues in the wake of a 65-percent retirement rate of upper-level managers over the next ten years. This program is aggressive; it consists of 300-plus hours of course work comprised of 6 levels, ending with

the development of a quality-improvement project by each of the participants. To date, we have graduated 75 participants from the first 2 classes, and we have 81 participants currently enrolled in classes 3 and 4. A project developed by classes one and two just recorded a return on investment of over \$500,000. If you match that against the expenses for the program, it is about \$142,000. We are currently working to collect a return on investment from class three. We have had 23 participants promoted in the program since its inception.

Due to our past success, we plan to expand this program in the 2007-2009 biennium by adding a new component which we will call the Certified Supervisory Management Program. Participants will complete the first three levels. We want to offer this because we have many first-line and middle managers who could benefit from being introduced to the cutting-edge leadership strategies and philosophies offered by the program. We plan to send 100 participants through this component in the 2007-2009 biennium. We also plan to add a couple of additional openings to the existing six-level program.

CHAIR RAGGIO:  
Where is this done?

MS. FOSTER:  
We offer classes in both Carson City and Las Vegas. It takes approximately one-and-a-half years to complete the six-level program.

CHAIR RAGGIO:  
Can it be completed online?

MS. FOSTER:  
No. It is only offered in the classroom.

CHAIR RAGGIO:  
If people do not live in Carson City or Las Vegas, will they be able to participate?

MS. FOSTER:  
Yes, there would be travel.

ASSEMBLYWOMAN MCCLAIN:  
I understand the need to groom upcoming younger people in State service, but are you exploring programs to prevent some of the brain drain as people retire? Perhaps retirees could be brought back as part-time employees.

MS. GREENE:  
We are working with departments on cessation planning, and each department is putting together its own plan that identifies its specific needs. There are situations in which we are able to bring people back from retirement, but there is a cap on how much money they can make each year before it impacts their pension.

ASSEMBLYWOMAN MCCLAIN:  
If the cap were removed, it would open up many possibilities.

Ms. GREENE:  
Yes, it would.

ASSEMBLYMAN DENIS:

I have met several participants of the leadership training program. Do we see the benefit of people remaining with the State when they go through the program, or are we training them, and then they are going to the city or county?

Ms. FOSTER:

I did say we had 23 promotions since the program's inception, so we are promoting people from within the State. We have not tracked statistics on people leaving the State.

ASSEMBLYMAN DENIS:

I was wondering if there was a way to have people commit to working for the State if they go through the program. It is a great program, and I would hate to train people in this program and then lose them to non-State jobs.

Ms. FOSTER:

That is a good point which we will follow up.

ASSEMBLYMAN HOGAN:

I also support your effort in this regard. Could you briefly tell us how you arrive at your return-on-investment figures?

Ms. FOSTER:

As participants go through the program, they receive a book about their quality improvement project and how it is supposed to be done. The instructors teach the participants how to develop measures to go with their project. Participants are providing the measures to us in accordance with what they are taught in class.

ASSEMBLYMAN HOGAN:

One reason we ought to continue and, if possible, expand this type of training is the extreme cost and occasional misfire of executive searches for senior-level, specialized employees. An example of a failure to provide succession planning is a situation in Clark County; a senior county manager announced he had accepted a fantastic offer from one of his noncompetitive regular contractors and was immediately approached by the county asking what they could do to keep him. It seems the huge increase and bonus he received was a remarkable reward for a serious management failure to do any succession planning and preparation of successors. That brings me to a question about supply and demand. I know you are going to increase this by a couple of seats in the program in the next biennium. I am glad it is increasing. What is the supply and demand? Are agencies clamoring to get a seat in the program or is there not enough interest? Do they need more explanation of the benefits to their agency?

Ms. FOSTER:

I should probably look at some statistics. I know some agencies want more than the participant availability permits. Other agencies are not sending participants. I need to look at the last count of the number of requests for participation as opposed to how many were brought into the program.

SENATOR BEERS:

For our subcommittee meetings, could you bring us approximately 12 examples of the project's successes?

MS. FOSTER:

We compiled a summary spreadsheet that lists the title, goals, benefits and dollar figures of the project associated with the successful participants. We can provide you with the entire list or we could choose certain ones.

SENATOR BEERS:

We will take the whole list since it is all together. It would be nice to have specific details to get an idea of the outcomes.

MS. FOSTER:

We will submit the spreadsheet, and if you would like more detail, we could pick the top 12 and give more detail on those.

SENATOR BEERS:

That would be fine.

MS. FOSTER:

There is one other piece of the CPM program I would like to cover. We are asking for funding to offer an advanced writing class to participants. It will give them an opportunity to meet their elective hours while learning skills required to write their quality improvement projects. We will send some of our trainers through the Franklin Covey writing class, and they will teach the class once they are certified.

The next training initiative we are working on is online delivery of mandatory supervisory courses. Under regulation, supervisors and managers have to attend mandatory courses. We want to convert these mandatory courses into online courses so participants can complete them from their desks or from home through the Nevada Employee Action and Timekeeping System (NEATS). We plan to offer five mandatory supervisory courses, add video to them and to the already converted Sexual Harassment Prevention course. The online delivery of courses increases training options and availability along with reducing time away from the office and travel costs.

MS. GREENE:

We have three technology projects in our budget. The 2005 Legislative Session approved funding for the first phase of replacing our applicant tracking system. The implementation of this phase was effective September 5, 2006. Through this process, job announcements are created online and recruitments are opened throughout the day rather than once a week. Job applications are submitted online, and recruiters and hiring supervisors can review the applications online. Currently, all the applicant data has to be downloaded into our old system for testing and certification of hiring lists. We are requesting funding for phase two which is the final phase of this system. Implementation of this phase will allow us to perform testing and statistical analysis. Lists of eligible candidates will be electronically generated, coded and sent to the hiring agencies with the hiring documentation. All correspondence with applicants will be via e-mail, and we will have the ability to review the application and the State employment history side by side.



Ms. FOSTER:

The next technology improvement project is location scheduling. This enhancement will fund the cost of a new feature to the employee development module of needs. The feature would consolidate scheduling from multiple locations in one centralized master calendar for any State facilities with shared access. This will reduce time to fund and schedule meeting locations and minimize the use of expensive State facilities.

I will now give you a brief overview of a proposed server consolidation project. This project is proposed by the Department of Administration (DOA) to consolidate the Integrated Financial System (IFS) which would include not only the NDOP, but the State Controller's Office, the NDOT and the DOA. This proposal will consolidate 16 servers currently used to run IFS to two super servers. One would reside in Las Vegas and one in Carson City. The plan replaces outdated equipment and should provide redundant processing capabilities, thereby facilitating our disaster recovery system. We are also looking forward to addressing some of our current capacity issues.

SENATOR BEERS:

Could you briefly detail some of the capacity issues you are experiencing with your system?

Ms. FOSTER:

We have capacity issues on some of our peak processing days for time sheets which we see on Mondays every other week or on a three-day weekend. We can deal with slow processing times for two days, but we are starting to see slow processing times at various times during the day. There are so many users on the system on the days time sheets are due, it slows the processing time to approximately three minutes to process through each screen. We have been working with the DoIT to improve this slow processing time. We have cleaned up our databases, all of our applications and looked at the Internet to ensure it was running appropriately. We have nearly exhausted our resources to solve our capacity problems. Today, we are implementing load-balancing software, and hope this will solve our problem, because we are out of good ideas to deal with capacity issues. We will know this coming Monday, when we have our next big crunch, whether these measures solved the problem.

ASSEMBLYMAN DENIS:

To clarify, the proposal for the DOA is to combine the four agencies you mentioned on two super servers. Is that correct?

Ms. FOSTER:

That is correct.

ASSEMBLYMAN DENIS:

Who would maintain the system?

Ms. FOSTER:

The DoIT.

ASSEMBLYMAN DENIS:

The DoIT would maintain the system even though each agency has its own Information Technology (IT) staff. Is that correct?

Ms. FOSTER:

That is the way I understand it, but I do not have a lot of details about this project. The DoIT and the DOA could better answer your questions.

ASSEMBLYMAN HOGAN:

The costs are being allocated among the four agencies that will benefit. Can you give me an idea of how that allocation has been made among agencies of different size, scope and numbers? Is it according to the number of personnel or amount of use?

Ms. FOSTER:

Are you talking about allocating the cost across the agencies?

ASSEMBLYMAN HOGAN:

Yes.

Ms. FOSTER:

There are spreadsheets that show costs are allocated according to how much usage each agency has in the system.

ASSEMBLYWOMAN WEBER:

Does the State hire former offenders?

Ms. GREENE:

The State can hire former offenders; it is not a bar to employment. The agency would look at the particular position to be filled and the violation of the applicant to determine if there is a concern.

ASSEMBLYWOMAN WEBER:

Are there certain conditions on certain job descriptions?

Ms. GREENE:

Every applicant must identify whether they have any prior convictions. For example, if an agency is hiring an accountant and a person has a conviction for embezzlement, they would take that into consideration. In some positions, such as law enforcement, the applicant would not be able to have any convictions.

ASSEMBLYMAN HOGAN:

Is there any positive incentive in the State personnel system to hire former offenders?

Ms. GREENE:

No, there is not.

SENATOR BEERS:

Is there any preference in State hiring for veterans?

Ms. GREENE:

Veterans receive an additional five points on top of their examination score, and disabled veterans receive ten points. That is for outside hiring. Once an employee is a State employee, they can only use veterans' preference once for a promotional examination.

CHAIR RAGGIO:

We will begin the Department of Conservation and Natural Resources (DCNR) budget overview.

## CONSERVATION AND NATURAL RESOURCES – Overview (Volume III)

ALLEN BIAGGI (Director, State Department of Conservation and Natural Resources):

A booklet has been distributed entitled, "Department of Conservation & Natural Resources, Budget Overview Hearing, Fiscal Years 2008 and 2009" along with a compact disk with the same title ([Exhibit H](#), original is on file in the Research Library). Included in [Exhibit H](#) is the DCNR biennial report and an overview of the hearing today, a PowerPoint presentation. Behind the budget overview is information regarding each of our programs. To accomplish our mission, we have eight divisions within the Department. Additionally, we have nine statutory boards and commissions.

The DCNR's current staffing is 935 employees including FTEs, seasonal employees and board members. Our total Governor-recommended budget for the 2007-2009 biennium is \$110 million in FY 2007-2008 and \$103 million in FY 2008-2009. We have several Capital Improvement Projects (CIPs) for the biennium. The first is Division of Forestry (DOF) activities at Kyle Canyon which will add a traffic signal for safety purposes in an area in southern Nevada which is growing and becoming busier. It will allow access to our fire stations. We are also requesting repairs at the DOF at the Elko Interagency Dispatch Center and the Dispatch Center in Minden. We have drainage problems, leaking windows, roofing repairs and heating, ventilation and air-conditioning needs in those facilities.

With the Division of State Lands (DSL), there is a CIP for \$88,000 for planning a new natural resource facility within the Las Vegas area. Currently, the DOF, the DSL, the Division of State Parks (DSP) and the Department of Wildlife (DWL) are located on a piece of property on Vegas and Decatur Drive, surrounded by Ed Fountain Park. The city of Las Vegas has approached us regarding acquisition of some of that land. We are working with the city of Las Vegas in exploring opportunities to build new facilities in southern Nevada.

Another ongoing project over the last few years is the Question 1 (Q1) Conservation Bonds. The Legislature passed, and the voters approved, \$200 million in bonding authority for park projects, trails, acquisitions and recreational activities. To date, we have sold approximately \$130 million in bonds. We have \$69 million in remaining authority left to be sold. Some recent highlights for the Q1 projects include completion of a wildlife habitat restoration project in Elko County, the Gallagher Fish Hatchery; in Clark County, the Las Vegas Wash for which we have allocated \$6 million of \$10 million in work programs, and the Las Vegas Springs Preserve. In Washoe County, the Lower Truckee Restoration is ongoing. Fourteen of Nevada's seventeen counties have utilized these bonds. We are working with the counties that have not utilized them. We would like to get all 17 counties onboard.

A provision added to the NRS in 1967 states voter-approved bonds must be sold within a limited time period. We are exploring the possibility of extending

these conservation bonds for a couple of years to ensure we can get the bonds out to the counties that need them and not incur arbitrage charges.

Next, I will address the revenues and expenditures in the director's office. In terms of our revenue, we are primarily funded with General Funds, through the cost allocation to some of our other programs and Q1 bonds. The director's office provides fiscal and accounting support services to the agencies within the Department. In terms of expenditures, the vast majority are for personnel. The Attorney General Statewide Cost Allocation Plan (SWCAP) is also a significant expenditure for us, as is operating costs

I will now move on to the Division of Forestry.

DNCR – Forestry – Budget Page DCNR-148 (Volume III)  
Budget Account 101-4195

MR. BIAGGI:

In terms of an overview of DOF's facilities, they have three regional offices in western, northern and southern Nevada. There are two agency dispatch centers located in Minden and in Elko. There are 4 career fire stations and 32 volunteer stations. We have air operations in Minden that include one fixed-wing aircraft and three helicopters. We have ten conservation camps that house 1,200 inmates who do wonderful work around the State. In regard to our air operations, the Legislature approved another helicopter last Legislative Session. It is a Vietnam-vintage piece of equipment and should be operational for the next fire season. We have had some problems with it as a result of a contractor, who provided the transmissions for the rotors, going bankrupt.

SENATOR BEERS:

Is that going to cost us more than we originally authorized?

PETE ANDERSON (State Forester, Division of Forestry, State Environmental Commission, Department of Conservation and Natural Resources):

Over the past two years, we requested additional funds to make up the difference between the actual cost and the allocated cost of the helicopter. Part of our challenge is dealing with a piece of equipment over 30 years old. We found other issues that were unknown at the time of the original estimate. It has been slightly higher than the original appropriation last Legislative Session.

CHAIR RAGGIO:

The amount appropriated last Legislative Session was \$196,260. How much more will it cost?

MR. ANDERSON:

We have sufficient funding at this time to finish this year.

SENATOR CEGAVSKE:

In how many places are you doing controlled burns? I know, in Lake Tahoe, you are conducting some controlled burns, and I have noticed reader boards telling us not to make any telephone calls if there is a fire. Are these teams using inmates?

MR. ANDERSON:

Yes. There are several agencies conducting controlled burns, and inmates are participating in many of those activities statewide. A concern right now is the dryness. We have cut back on most of the burning due to the condition of the fuels.

SENATOR CEGAVSKE:

Are you cutting down some of the trees that are dead and burning them in place, or are you removing them?

MR. ANDERSON:

We are burning material that has been stacked either for fuels-reduction projects or forest-health projects. Green material will typically sit for a full year before we burn it.

MR. BIAGGI:

Current staffing of the DOF is 193 FTEs with 47 seasonal positions. The budget for FY 2007-2008 is approximately \$31 million, and for FY 2008-2009 it is \$26 million. The DOF lost 45 positions over the last biennium due to our consolidation with the Sierra Fire Protection District in Washoe County. This district is being heavily annexed by the city of Reno and is under rapid urbanization. The DOF's wildfire mission was no longer applicable. We developed a cooperative arrangement with Washoe County to set up the Sierra Fire Protection District and transfer many of the employees in those fire stations to that body.

In terms of revenues for the DOF, supplemental and one-shot appropriations make up the majority of the budget along with federal grants and camp-revenue receipts. We have camp-revenue targets for our inmate camps where we generate revenue through our projects. Salaries comprise the majority of our expenditures followed by travel, operating and support costs. In FY 2007-2008, camp expansions in our honor camps are a major expenditure. In terms of the budget highlights for DOF, we are requesting supplemental appropriations for the FY 2006-2007 fire-season shortfall. Utility-expense increases and aircraft-insurance increases are also significant. One-shot appropriations for replacement vehicles and computers total approximately \$1.6 million. This includes 22 vehicles, all of which have over 100,000 miles on them.

In terms of the General Fund, there is an increase of \$1.5 million for the Fire Suppression Emergency Response Account. Currently, DOF has a budget of \$1 million for fire-suppression costs. For the last decade, we have typically exceeded that amount. It is prudent, fiscally, to raise the fire-suppression allocation to what our historical records show should cover those costs. Multiple decision units for the Public Works Board identified critical deferred maintenance. The amount requested for that maintenance is \$342,000.

In terms of programmatic issues, the Fire-Cycle Initiative is a top priority. There is a fire cycle within Nevada that is going out of control. We are losing our wildland, sagebrush habitats. As it burns, cheat grass grows in its place. Cheat grass is an invasive species which burns faster and more frequently and increases fire-suppression costs. Under Governor Guinn and continuing through Governor Gibbons, the DCNR has been asked to initiate a cooperative relationship with the DOF, the Bureau of Land Management (BLM), the

U.S. Department of Agriculture Forest Service (DAFS) and local governments. These groups will explore ways to stop this fire cycle through pre-suppression activities and ensure we are cooperating and our fire services are as efficient as possible.

We will be transferring two fire officer positions from Budget Account (B/A) 101-4227 to the General Fund so those fire-management officers can have more regional control of fires when they occur.

DCNR – Forestry Inter-Governmental Agreements – Budget Page DCNR-173  
(Volume III)  
Budget Account 101-4227

MR. BIAGGI:

An agency reorganization will be ongoing, including substantial upgrades to the Indian Springs Conservation Camp. There will be a reduction in federal-assistance grants over the next few years. Both the BLM and the DAFS are suffering significant reductions in fire-suppression and fire-grant activities.

SENATOR BEERS:

Why do you think the federal government is rolling back funds? Is it a fiscal issue for them or is it because we may not have perfectly understood the best way to deal with wildfires over the last 50 years?

MR. BIAGGI:

It is a combination of both. We recognize the federal government is under tight fiscal constraints at this time. Additionally, recent audits and management plans have shown we are not fighting fires in a fiscally responsible way. Some of that goes back to state and local governments allowing encroachment of housing and urban environment into the wildland environment and causing fire-suppression costs to rise.

SENATOR BEERS:

That does not give me a reason to expect our fire-suppression expenditures are going to go down commensurate with our federal dollars.

MR. BIAGGI:

That is correct.

I will move on to the Division of State Parks (DSP).

DCNR – State Parks – Budget Page DCNR-43 (Volume III)  
Budget Account 101-4162

We have 24 state parks plus 2 management units which are the Elgin Schoolhouse and the Dangberg Ranch in Carson Valley. We have four regional offices: western Nevada in Carson City, central Nevada in Fallon, eastern Nevada in Panaca, and southern Nevada in Las Vegas. The DSP staffing consists of 106 FTEs and 138 seasonal positions. In terms of their overall budget, in FY 2007-2008 it is approximately \$16 million, and in FY 2008-2009 it is approximately \$14 million. The Lake Tahoe Visitors' Center, located in the Sand Harbor State Park, will be opening this spring.

SENATOR MATHEWS:  
Is Clear Creek under your purview?

MR. BIAGGI:  
Yes, it is.

In terms of total DSP revenues, General Funds make up the vast majority, followed by user fees and marina-gasoline taxes. As far as expenditures, personnel is the major expense, followed by travel, operation, IT and utilities. Some of the budget highlights for the biennium include one-shot appropriations for replacement vehicles and computers. The DSP has an antiquated fleet of vehicles. This request is for 62 new vehicles. All of the existing vehicles have 119,000 or more miles and are hard driven and hard used. There is additional seasonal funding for staff to expand needed coverage early and late in the seasons such as additional lifeguard services in the late summer and late spring months. There is a position in operating management, an interpretive position, for the Dangberg Ranch unit in Douglas County.

CHAIR RAGGIO:  
What is the status of the Dangberg Ranch?

DAVID K. MORROW (Administrator, Division of State Parks, State Department of Conservation and Natural Resources):

We are pleased with the progress we have made at Dangberg Ranch. We are currently re-roofing all of the buildings at the ranch site. In March we will be putting out a second bid to take care of all the siding and replace any damaged windows. We have developed an interpretative plan for the park and catalogued approximately 20,000 artifacts that are part of the site. We plan to open on a temporary basis on April 1, 2007, and we will give tours on a reservation basis. We will not have the entire site completed, but we plan to show visitors what we have done and begin to utilize the site.

MR. BIAGGI:  
Continuing with the budget highlights, we will be looking at some fee-funded positions and equipment at Valley of Fire State Park (Valley of Fire), Lahontan, and Spring Mountain Ranch. We have an interesting and unexpected market at the Valley of Fire, the wedding market. There are a number of weddings every day as well as concessionaires participating in those weddings. We plan to capitalize on this market.

ASSEMBLYMAN HOGAN:  
Will the fees used to support the new positions at the Valley of Fire result in a reduction in General Fund support for the DSP's budget?

MR. MORROW:  
I do not know that there is a connection in the reduction in the budget; however, there is a purposeful effort on our part to better staff the Valley of Fire to accommodate and organize the weddings. Mr. Biaggi indicated it is a big market. Approximately 1,000 weddings are conducted annually at the Valley of Fire. In the past, we significantly undercharged those who planned to wed there. We have worked with the Commission on Tourism and the wedding industry to develop a plan to raise enough revenue to offset the cost of

administering weddings and to provide better opportunities. These procedures will be implemented, with this Committee's approval, in July.

MR. BIAGGI:

Continuing with the budget highlights for the DSP, we have maintenance units for noxious-weed control. As elsewhere in Nevada, the state parks are being inundated with noxious weeds. We want to get the weeds under control before they become a bigger problem. There are also Safe Drinking Water Act compliance activities at state parks. We have multiple decision units for the State Public Works Board for critical deferred-maintenance projects. Specifically, we need new wells at the Valley of Fire and the Spring Mountain Ranch in southern Nevada.

There are two program issues I would like to highlight. The first is mine reclamation in State parks. We are finding there are historic mining features in our State parks that present significant safety hazards to our park employees and visitors. Through the good work of the Division of Environmental Protection (DEP), the Division of Minerals and DSP, we are addressing and resolving many of those historic features. We currently have an individual working at the Valley of Fire who is cleaning up some large mining features that posed a threat to off-highway vehicles in the area. We have another proposal this Legislative Session to add the Monte Cristo Castle site, near Tonopah, into the State park system.

CHAIR RAGGIO:

What is the Monte Cristo Castle site?

MR. BIAGGI:

It is a geological feature with unique geological characteristics which warrant introduction into the State park system.

CHAIR RAGGIO:

What is the current status of the site?

MR. BIAGGI:

It is on BLM land, and would have to be transferred from the BLM to the State park system. This does not happen in a timely fashion, and can take years to accomplish.

SENATOR BEERS:

What is the mining feature at the Valley of Fire you are remedying?

MR. BIAGGI:

A large trench was dug for barite, probably 30 years ago. This trench had steep sides and extended 80 feet into the ground. This is in an area where there are many off-highway vehicles. It was a precipitous and immediate drop-off, and the bottom was filled with water. It was a significant safety threat.

SENATOR BEERS:

Had there been an incident?

MR. BIAGGI:

There had not. It is not costing the State anything to repair that feature.



Next, we will cover the Division of Water Resources (DWR).

DCNR – Water Resources – Budget Page DCNR-59 (Volume III)  
Budget Account 101-4171

MR. BIAGGI:

The DWR has a main office in Carson City with branch offices in Las Vegas, Elko and Winnemucca. Currently they have 87 FTEs and 4 seasonal positions which are their water commissioners. For FY 2007-2008, their total budget is approximately \$7.5 million, and in FY 2008-2009, \$7.3 million. In terms of their revenues, General Funds and one-shot appropriations make up the vast majority along with local government transfers.

CHAIR RAGGIO:

What about those positions not shown in the *Executive Budget*?

TRACY TAYLOR (State Engineer, Division of Water Resources, State Department of Conservation and Natural Resources):

We perform groundwater-basin assessments, and we employ positions from the funding provided by groundwater assessments.

MR. BIAGGI:

Personnel make up the vast majority of our expenditures in the DWR followed by operating, monitoring and equipment. Some highlights for DWR for FY 2008-2009 include requesting an enhancement of the South Fork Dam for the biennial inspections by divers and associated repairs. South Fork Dam is located in Elko County and is the only dam owned by the State of Nevada. We consider it a high-risk dam, not structurally, but because it sits on the Humboldt River above a fairly large population. We have an enhancement unit and ongoing maintenance for that dam. The Beaver Creek Dam, located in Lincoln County, is shown on page 29 of [Exhibit H](#). It was heavily damaged by flooding in 2006 and ultimately had to be breached.

We are requesting one-shot appropriations for replacement hardware, software and three trucks. We are also requesting a one-shot replenishment of the channel clearance account in the amount of \$250,000 to assist during flood events and other activities to clear the channels of the Carson, Truckee and Humboldt Rivers. Additionally, we are requesting a snow-survey transfer from what has historically been in the director's office since it is more appropriately contained in the DWR. In terms of program issues for the DWR, due to the assistance provided last Legislative Session in 11 new positions, the current backlog is at the lowest level in 19 years, and we are continuing to substantially reduce it. Those 11 positions were also of great help in assisting with sorting out some of the water-rights issues within the Truckee Meadows.

New applications and change requests have increased steadily since the mid-1990s. For calendar years 2005 and 2006, three times the number of protests were filed as in previous years due to the scarcity of water, demands being placed on our water resources and the perception of infringement of water rights when others are applying for water. One of the positive initiatives, implemented by Mr. Taylor in the last year, has been to put water-rights data on the Internet. One can now go online and view water rights, well logs and titles. This has greatly reduced the number of people coming into the office to request

this information. There was an interim study entitled "Use, Management and Allocation of Water Resources," and you can expect to see a number of water-related bill draft requests (BDRs) as a result of that study.

In the Governor's State of the State address, you heard his commitment to provide \$2 million in a cooperative effort to the DWR and the Desert Research Institute (DRI) for water-based studies throughout the State of Nevada. We anticipate these studies to be used to better evaluate our water resources within the 232 basins in the State and get a better understanding of the yield, water flow and aquifer activities within those basins.

CHAIR RAGGIO:

Last Legislative Session, we appropriated \$1 million to DRI for state-of-the-art equipment to develop a water inventory. Is this a follow-up to that? Do you know if the DRI acquired the equipment referenced in that appropriation?

MR. BIAGGI:

I cannot speak for what the DRI purchased. I met with Mr. Steve Wells and Mr. John Warwick, who are in charge of the Water Resources Center at DRI, and they intend to use the equipment appropriated last year and incorporate it into the \$2 million commitment from Governor Gibbons for these basin studies.

ASSEMBLYMAN GRADY:

The \$2 million is hardly enough to get you started to perform a water inventory. Is there any plan to continue this if we can get the funding over the next four, six or eight years to develop a meaningful plan for the whole State?

MR. BIAGGI:

You bring up a good point. There are two issues to your question. One is water planning and the other is getting better scientific data on things such as the perennial yield of basins. Our intention for this \$2 million is to have the DRI provide better information on how much water is available in any particular basin and how much water can be pumped within that basin for sustainability and safe yield. With regard to water planning, Senator Titus championed the reconstitution of water planning within the State of Nevada in terms of a water planner and bringing the Water Planning Board back into focus. Unfortunately, that was not funded in the 2005 Legislative Session. If it is funded this Legislative Session, we will be glad to start that and bring back some of Nevada's water-planning activities.

SENATOR TITUS:

Is there money in the budget for those water-planning activities?

MR. TAYLOR:

No, there is not.

SENATOR TITUS:

We are going to do an inventory, but we are not going to plan what to do with the water we find or do not find. Is that correct?

MR. BIAGGI:

If the dollars are there to fund the position and the board, we will be ready, willing and able to move forward with it.

SENATOR TITUS:

It would make sense to have a planning operation to go hand-in-hand with an inventory. If you do an inventory without a plan, what good is the inventory? My other question is about the decisions before the engineer concerning Clark County. How do you see that fitting in with the inventory and this budget?

MR. BIAGGI:

Mr. Taylor has held hearings on Spring Valley, the location of a major portion of the water proposed to be imported from eastern Nevada to Clark County. He is in the middle of making an appropriate decision. There is a large study ongoing called BARCAS (Basin and Range Carbonate Aquifer System) that deals with water-resource issues in the area of those importation projects.

SENATOR BEERS:

Have we received any data from DRI for the \$1 million appropriated this biennium for the water survey?

CHAIR RAGGIO:

I have asked DRI for a report.

MR. BIAGGI:

The next overview is the Division of Environmental Protection (DEP).

DCNR – Environmental Protection Administration – Budget Page DCNR-67  
(Volume III)  
Budget Account 101-3173

MR. BIAGGI:

The DEP has two offices; one in Carson City and one in Las Vegas. It has a small air-quality-program office in Pahrump. Current staffing of the DEP is 244 employees, and the total budget is \$50 million in FY 2007-2008 and \$50 million in FY 2008-2009. The DEP is one agency in the Department that does not have substantial General Fund dollars. Their revenues are made up, primarily, of federal dollars and fees, and only 1 percent of their budgets are General Fund dollars contained in the Safe Drinking Water and Clean Water Programs. Primary expenditures are for personnel, contracts, operating and other expenses. In terms of program highlights, mercury and arsenic are currently big issues for the DEP. Mercury is large in terms of air-quality emissions, arsenic in terms of the amount of arsenic within our State drinking water.

We will be asking for four new non-General Fund engineering positions in our air-quality program; three in emissions reviews and auditing and one in the Chemical Accident Prevention Program (CAPP) which deals with facilities that handle highly-hazardous chemical materials. The CAPP will oversee the mercury storage facility in Hawthorne. One new non-General Fund engineering position will be in mining. This 0.50 FTE position will be converted to an FTE in reclamation for cost estimates and related duties. Two non-General Fund positions will be added in technology and accounting. There will be a consolidation of Clean Water and Drinking Water State Revolving Loan Funds and Public Water System Capacity Grants into one operational unit for efficiency, cost training and oversight improvements. The totals of those grant

programs are approximately \$200 million. There is a transfer of the two DEP deputies and one IT person into B/A 101-3173, as requested by the Budget Division.

CHAIR RAGGIO:

How effective has the Mining Regulation and Reclamation Program been? Has it been pursued diligently?

LEO DROZDOFF (Administrator, Division of Environmental Protection, State Department of Conservation and Natural Resources):

The Mining Regulation and Reclamation Program is, without question, a shining success story. Currently, the agency jointly holds approximately \$800 million in reclamation sureties throughout the State. We have been able to work with the BLM and the DAFS so companies do not have to bond twice. There are numerous examples of reclamation that has taken place throughout the State. The mining industry is mature in that the mining reclamation law was first passed in 1989. Large facilities have been completely reclaimed. Because we hold such a large amount of money in reclamation bonds, there is a great impetus to get part of that money. We work with the mining companies and the federal land managers to do concurrent reclamation. The engineers can move on to a different area, but will reclaim the older area while still at the site.

CHAIR RAGGIO:

I have heard comments that our reclamation requirements in mining are minimal compared to many other jurisdictions. Does the reclamation bonding go into place on a periodic basis, during the course of the operation, or does it take place when you finally close down an operation?

MR. DROZDOFF:

To answer your second question first, the company is required to post a bond as part of their reclamation permit. As far as the amount of bonds, we hold \$800 million. These are third-party costs; they are not costs the mining companies would have to pay. If we had to go in and reclaim a site, it is what it would cost us, the BLM or the DAFS, to reclaim it. It covers every aspect of the mining operation including chemical closure. There was a complaint several years ago that the State program did not cover chemical closure. That was addressed approximately five years ago, and we bond for that activity as well.

CHAIR RAGGIO:

Have we ever had to sue to obtain funding under the bond?

MR. DROZDOFF:

Yes, we have. Several years ago, in the mid- to late-1990s, precious metal prices were low. There were facilities we had to pursue through bankruptcy court or through the bonding companies.

CHAIR RAGGIO:

Are there any cases currently?

MR. DROZDOFF:

No.

MR. BIAGGI:

I will move on to the Division of State Lands (DSL).

DCNR – State Lands – Budget Page DCNR-30 (Volume III)  
Budget Account 101-4173

MR. BIAGGI:

The DSL has 22 FTEs and 1 seasonal employee, and for FY 2007-2008, the total budget is approximately \$2.3 million, and for FY 2008-2009 it is \$2.2 million. The DSL is based in Carson City with statewide responsibilities that include the State Land office, State Land Use Planning Agency, the Nevada Tahoe Resource Team, and the Conservation Bond Q1 team. The agency is primarily supported by General Funds, and they utilize Q1 bonding which is mainly the interest off those bonds and the Tahoe Environmental Improvement Program (EIP) bonds. In terms of expenditures, personnel utilize the greatest percentage, followed by operating and IT. Budget highlights include a technology investment request to update and provide accurate land-database-management systems with geographic information system (GIS) capabilities.

CHAIR RAGGIO:

Please clarify what you just said.

PAMELA B. WILCOX (Administrator and State Land Registrar, Division of State Lands, State Department of Conservation and Natural Resources):

We have the DSL records that go back to statehood and the responsibility for compiling records on an ongoing basis. At the current time, most of those are paper records. We also have an Access-based database-management system which is completely inadequate for our current needs. We worked with DoIT to develop this technology investment request for a new Web-based database-management system which would give us GIS capability for the first time. Right now, if you call me and want to know where we have vacant State land, I should be able to bring you maps of the vacant parcels with overlays that show the location of the improvements, the easements and so forth. We are currently unable to do those things.

CHAIR RAGGIO:

How long will it take to complete that project?

MS. WILCOX:

We estimate it will take three years.

MR. BIAGGI:

Other program highlights include the tenth anniversary of the EIP when the Presidential summit took place at Lake Tahoe. At that summit, Nevada, California and the federal government provided their commitment to the preservation of the Lake Tahoe Basin and water clarity. This will mark the final installment of our commitment for the EIP. There will be a large summit at Lake Tahoe as was noted in the Governor's State of the State address.

CHAIR RAGGIO:

What is the remainder of that commitment?

MS. WILCOX:

We originally committed \$82 million. Approximately \$72 million has been authorized to date, and we have some additional funds from other places. We have \$9 million plus a fraction we are requesting this last time.

MR. BIAGGI:

The annual summit will be held August 17, 2007, and we will provide a recommitment of our support to the preservation of the Lake Tahoe Basin. The Tahoe Regional Planning Agency (TRPA) has a small budget of \$1,700. Their primary goal is to examine gaming space within the Lake Tahoe Basin to ensure compliance that gaming has not increased from compact requirements dating back to the 1980s. In terms of the Lake Tahoe EIP update, Nevada is responsible for 124 projects under the first phase of the Lake Tahoe EIP. There has been steady progress. Of the 124 projects originally planned, 65 have been completed, 37 are in construction or planning and 22 have yet to be initiated. These are primarily related to Lake Tahoe clarity and deal with erosion, runoff and drainage.

CHAIR RAGGIO:

Has there been a measurable improvement in the quality of water at Lake Tahoe?

MR. BIAGGI:

In the 1960s, Lake Tahoe clarity was about 100 feet. Currently, clarity has decreased to approximately 72 feet. The trend is a continuation of a reduction in clarity. The positive aspect is since the EIP projects have been implemented, the rate of decline has slowed dramatically. The data from 2006 we will see in the next few months will be an indicator as to if that decline is continuing and if the EIP projects on the Nevada side of the Lake and the California side of Lake Tahoe are making a difference.

CHAIR RAGGIO:

Is California making an equal commitment on all of the Lake Tahoe issues as well?

MR. BIAGGI:

They are, but Nevada is ahead of the curve, and we are doing a better job than California. Water quality remains our highest priority. There are a number of Erosion Control Grants. Another great concern of the DSL, the TRPA and the DOF is forest health within the Lake Tahoe Basin. The Lake Tahoe Basin was clear-cut in the late 1800s for mining activities in Virginia City. We have a forest that has grown up since then. There has been a suppression of wildfire within the Tahoe Basin and throughout our western forests. This has created a tinder dry situation where a catastrophic wildfire is ready to happen. One of the things all the appropriate agencies have been doing, over the last few years, is determining ways to improve our forest health and prevent a catastrophic wildfire in the Tahoe Basin which could unravel many of the water quality gains we have made in the last 20 years.

CHAIR RAGGIO:

In traveling around Lake Tahoe, I have noticed much more clearing of forest fuels on the California side than on the Nevada side. Are they clearing fuels on the Nevada side?

MR. BIAGGI:

We are concerned about the Lake Tahoe State Park as it crests over the top of the Carson Range onto this side. The White Pine Lands Bill, passed by Congress recently, allocates Southern Nevada Public Land Management Act funds to assist outside of the basin in the Carson range for forest management and forest-health activities. Mr. Morrow has made clearing the fuels buildup within Lake Tahoe State Park a priority.

We will move on to the Division of Conservation Districts (DCD).

DCNR – Division of Conservation Districts – Budget Page DCNR-18 (Volume III)  
Budget Account 101-4151

MR. BIAGGI:

The picture on page 44 of [Exhibit H](#) is of Range Camp which is a program run every year to help educate young people on natural-resource and range-management activities. The DCD is a small program with only three FTEs. It is based in Carson City, yet has statewide responsibilities. There is a small enhancement for district-outreach travel and program support. For FY 2007-2008, the total budget is \$434,000, and for FY 2008-2009, it is \$449,000. In terms of revenue, the vast majority is General Fund. In terms of expenditures, it is for personnel and grants to the Conservation Districts.

The next overview is for the Nevada Natural Heritage Program (NNHP).

DCNR – Nevada Natural Heritage – Budget Page DCNR-8 (Volume III)  
Budget 101-4101

MR. BIAGGI:

Current staffing for the NNHP is nine FTEs. It is based in Carson City with statewide responsibilities. It has multiple sources and a complex-fund map. Recently, the IFC approved a new weed-mapping position as a result of a diverse State and federal agencies coalition. It is not a General Fund position. There is an internal reorganization ongoing to meet the mission, provide flexibility and plan for succession. The budget total for FY 2007-2008 is \$896,000, and for FY 2008-2009, it is \$984,000. In terms of revenues, the NDOT provides approximately 50 percent of the revenue, General Fund 19 percent and grants another 16 percent. The vast majority of expenditures is for personnel, followed by Biodiversity Grants to State and local entities, cost allocation and noxious-weed programs.

SENATOR BEERS:

It strikes me that NNHP might be a strong natural ally with DSL in our proposed GIS system.

MR. BIAGGI:

You are correct.

KAY SCHERER (Deputy Director, State Department of Conservation and Natural Resources):

During the past year, the DCNR has had the opportunity to take the lead in advancing GIS and GIS communications among not only our own resource agencies within DCNR but also the Department of Agriculture, Conservation and

Natural Resources, and Wildlife, the NDOT and the Legislative Counsel Bureau staff. We have set informal working groups and have appeared before the Interim Committee on Public Lands. A BDR is coming out of that activity. There were people doing wonderful things in GIS. We were looking at potential inefficiencies and overlap in that work. We are endeavoring to coordinate GIS programs among the agencies.

MR. BIAGGI:

Our last program is the Wild Horse Program (WHP).

DCNR – Heil Wild Horse Request – Budget Page DCNR-25 (Volume III)  
Budget Account 607-4156

MR. BIAGGI:

The Commission for the Preservation of Wild Horses is the smallest agency within the Department; Ms. Cathy Barcomb is its only employee. However, the WHP is one of the more controversial programs. There are high degrees of passion on both sides of the wild-horse issue. The program is funded exclusively through the Heil Trust which was established by an individual who passed away in the early 1970s and donated a substantial amount of money to the State of Nevada for the preservation of wild horses and burros. We have been operating on the principal and interest of that program. In 2001, this body approved a non-profit foundation in which we cooperate with the BLM and the Heil Trust to provide seed money to allow this endowment to continue. Our intent is that the foundation become self-sufficient and continue the good work of the Heil Trust into the future. For FY 2007-2008, the total budget for this program is \$359,000, and in FY 2008-2009, \$207,000. The expenditures are primarily personnel and assistance to the Mustang Heritage Foundation.

ASSEMBLYMAN GRADY:

The State has responsibility for the mustangs going east out of Carson City on the north side of Highway 50 over to I-80. Are there other places in Nevada where the State takes that responsibility rather than BLM?

MR. BIAGGI:

No, sir.

ASSEMBLYWOMAN WEBER:

There was a recent activity in the Red Rock Conservation area in southern Nevada. What effect has the ongoing drought had on the herds in that area?

CATHERINE BARCOMB (Administrator, Commission for the Preservation of Wild Horses, State Department of Conservation and Natural Resources):

The drought has taken a severe toll on wildlife, livestock and the horses. As we lose the water or do not have the forage base, the numbers the habitat can sustain drop. The problem is statewide, but it is more significant in the south.

ASSEMBLYWOMAN WEBER:

Are they being moved due to a lack of water?

MS. BARCOMB:

Congress created 110 herd areas in Nevada. There are currently 102 herd-management areas. The horses have to stay in those contained areas.



It is not fenced, but the areas are designated on a map. Horses cannot be moved to other areas; they have to be managed with what the habitat can sustain in that area.

CHAIR RAGGIO:

As indicated in your presentation, the Heil Trust will be fully expended at the end of 2011. Is that correct?

MR. BIAGGI:

That is correct.

CHAIR RAGGIO:

We will now review the budget overview of the State Department of Agriculture.

#### AGRICULTURE – Overview (Volume I)

DON HENDERSON (Director, State Department of Agriculture):

We have provided a handout entitled "Nevada Department of Agriculture Presentation to the Legislative Commission's Budget Subcommittee Budget Overview" ([Exhibit I](#), original is on file in the Research Library). In the back of the packet, there is a detailed brochure that describes who we are, what we are and what we do ([Exhibit J](#)).

In terms of new-agency initiatives, positions and reclassifications or salary adjustments, I can report the following relative to our biennium budget proposal. There are no new programs or initiatives recommended for the State Department of Agriculture (DAG) in the *Executive Budget*. Funding is recommended to maintain existing programs. No new positions are recommended in this budget. A total of 3.25 FTEs were removed from the budget. Of the 3.25 FTEs, 1.25 FTEs were positions not filled during the current biennium. Two FTEs represent a program for which funding has ended, and the program no longer exists.

The overall budget for the biennium is increased by 8.9 percent over the previous biennium. Contributors to this budget increase include salary costs, the statewide cost allocation and the rerecording of brands which occurs every four years. In addition, fee increases for pesticide and fertilizer registration increased some revenues that were generated to offset anticipated increases in salaries, replacement of laboratory equipment, rent, potential loss of federal funding and external administrative costs. There are no proposed fee modifications associated with this budget. Regarding one-shot appropriations, the Department requested \$477,000 for the biennium. The majority of these funds, about \$350,000, will be used to replace 17 high-mileage vehicles within the DAG. The remainder of this request is for replacement of laboratory equipment, computers and an antiquated telephone system in the Las Vegas office.

Three supplemental appropriations are included in the DAG's budget request, totaling \$22,900. Although minor amounts, I will give some background information on each. One is occurring in B/A 101-4540, Plant Industry, that did not revert sufficient funds in FY 2005-2006 to pay for all the claims against that account.

AGRI, Plant Industry – Budget Page AGRICULTURE-15 (Volume I)  
Budget Account 101-4540

MR. HENDERSON:

This was primarily due to revenue coming in under budget and increases in nondiscretionary revenues such as utilities. Another portion of the \$22,900 went toward the DAG's move into its new regional office in Elko in July 2006. This building is significantly larger than our previous building, and, as a result, there are additional operational costs not included in the current biennium budget in the amount of \$11,684. Finally, Plant Industry partially supports the Administrative Account, B/A 101-4554, using the approved cost-allocation schedule. During the Legislative-approved phase of the budget process, transfers from some of the supporting accounts became out of balance with transfers into the Administrative Account. Plant Industry is not expected to have any increase over the work program amounts. It appears most of the fee revenue will be under the work program authority. There is insufficient discretionary authority available within the Administrative Account to cover the \$10,202 shortfall. As a result, that supplemental appropriation is requested.

You will find a pie chart on page 20 of [Exhibit H](#). This information indicates total funding for the 2007-2009 biennium is \$31,956,091. It also breaks out the various revenue sources. It shows, on a Department-wide basis, contributions from the General Fund to the agency budget continue a slow downward decline. Currently, we are funded 27 percent, as an agency, from the General Fund, and the remainder of our budget comes from other sources. The slack being picked up from the decline in General Fund revenue primarily comes from the category of fees or other sources.

That concludes my budget overview. I would like to move into several other program items that have been requested.

CHAIR RAGGIO:

Staff reminded me that we approved the redirection of the petroleum inspection fee from the General Fund to the DAG, resulting in \$1.1 million in additional revenue.

MR. HENDERSON:

That is correct.

ASSEMBLYMAN HOGAN:

I noticed the federal funds appear not to have diminished much unlike what we have seen in other departments. Is this stability something you can look forward to in the near future? Does it look like the upcoming federal Farm Bill is going to contain enough resources to continue the same level of support?

MR. HENDERSON:

It is difficult to know. We know funds at the federal level are tight, and, much like State government, are based upon current priorities. Much of the federal funding we receive relates to pest inspection, control and animal diseases which are a relatively high priority within the federal government for public health reasons. As far as the Farm Bill, it is anybody's guess. The priorities, as a nation, will drive the policy set in the federal Farm Bill.

I would like to report on a project this body funded last Legislative Session, our new regional office in Elko. Please refer to item 2, on page 3, of [Exhibit H](#). This CIP has been brought in on time and on budget. The building was occupied by our staff in Elko and dedicated in August 2006. Phase two construction of the animal disease laboratory is nearing completion with the remaining items, including the installment of an incinerator and final laboratory cabinetry, being installed by the end of next month. At that point, the animal disease laboratory will be operational, and the facility as a whole will be fully functioning. Final asphalt sealing and parking lot stripping will be completed this spring when the temperatures rise and are more suitable.

The DAG has one CIP in the upcoming biennium that is critical for the effective operation and function of the agency. There are photographs of CIP 651 mentioned in item 3, on page 4, of [Exhibit H](#). This project is ranked number 20 in the Governor's Budget for construction funding. Construction costs for this facility are slightly over \$29 million. This facility, a 35,000 square-foot agency headquarters office and laboratory building, will be located adjacent to the DAG's existing Measurement Standards facility on vacant State property located next to the Nevada Mental Health Institute in Sparks. The project will have completed construction documents by the end of February. This proposed State construction project represents a fifteen-year endeavor for the agency and will replace a 15,800 square-foot office space that has been leased by the DAG and funded by the State for over 45 years. This rented office space currently costs the State approximately \$230,000 a year. It is antiquated and far too small to meet current and future needs of the agency both in terms of office and, most critically, laboratory space.

Proposed facilities designed to meet the foreseeable needs of the agency over the next 30 years include the much-needed expansion of six analytical laboratories mandated by statute. They include the animal disease diagnostic, pesticide testing, fertilizer testing, plant pathology, entomology or insect diagnosis, seed testing and certification laboratories. This proposed project was first funded by the Legislature in 1997 with a space study. At that point, the DAG aggressively pursued lease/purchase options. We were not well received because it was believed this type of facility with its laboratories could be better built through State construction as opposed to private enterprise. In 2003, the Legislature funded design of the new headquarters through schematics. In 2005, the Legislature funded final design, development and construction documents. This project is ready to go. The State has invested just over \$2 million to get the project to this point.

My fear is if this project is not funded this biennium, its future construction may never occur due to the ever-increasing inflationary construction costs involved in this type of project. Additionally, failure to build this agency facility in the near future will require the agency to incur added laboratory and office space rental and retrofit costs just to meet current caseloads and to maintain laboratory-certification requirements. Due to the importance of this project to the future of the DAG, I hope this Committee will give it serious consideration.

The next overview requested by your staff is of our internal cost allocation plan. During the 2005 Legislative Session, the internal cost allocation for the Administrative Account, B/A 101-4554, was substantially revised. The schedule was changed to use FTEs to determine General Fund support for the

Administrative Account. The schedule also incorporated indirect cost recovery funds from federal agreements and directed all of those recoveries to help offset the costs of the Administrative Account. As a result of the new schedule, only those accounts with legislatively-approved FTEs help to support the DAG's Administrative Account. During FY 2005-2006, it became apparent the method used to determine the amount of indirect recovery provided to the Administrative Account needed to be revised. Insufficient indirect-cost recovery was being retained in the supporting accounts such as B/A 101-4552.

AGRI, Noxious Weed & Insect Control – Budget Page AGRICULTURE-59  
(Volume I)  
Budget Account 101-4552

CHAIR RAGGIO:

Without going through all those details, which we will cover during the subcommittee hearings, the net result is your cost allocation was \$619,000 in FY 2005-2006, and will increase to \$842,000 in FY 2007-2008 and to \$851,000 in FY 2008-2009, as a result of the new Statewide Cost Allocation Plan. Is that correct?

RICK GIMLIN (Deputy Director, State Department of Agriculture):

That is correct. We have seen a tremendous increase in the Statewide Cost Allocation Plan. As a result, we cannot pay for those with General Funds; we need to recover those costs from our supporting accounts.

CHAIR RAGGIO:

This is in line with federal agreements in place.

MR. GIMLIN:

We are using indirect-cost recovery wherever we can to help that budget account.

SENATOR BEERS:

Did I read in your handout you have assigned this duty to a new position, or an existing position, but a new person?

MR. GIMLIN:

We received a management analyst position to handle our grants four years ago. We are simply directing the cost recovery to support that position. We succinctly identified that in our budget request. We filled that position two years ago, and he has done an excellent job for us. We are able to draw our funds and report our expenditures faster and provide better information to our administrators.

MR. HENDERSON:

I will now update you on the abatement of noxious weeds. In our budget request for the 2005 Session, this body approved \$100,000 to fund the DAG's noxious-weed abatement program. Upon receipt of that information, the DAG developed compliant-evaluation criteria. Using these criteria, the noxious-weed program responds to formal complaints about noxious-weed infestations. When we receive a complaint, we first verify the plant at issue is a noxious weed; we verify land ownership and then use the criteria to guide whether legal action, for example, abatement, is warranted. The criteria used to derive that decision

includes the local prevalence, potential spread of the weed, the size of infestation and the control in place, or can be put into place, in adjacent areas to contain the weed. If legal action or abatement is warranted, according to statutory requirements, a letter is sent to the landowner requiring control of the weeds, within a certain period of time, by using certain methods.

The DAG receives many informal complaints about noxious weeds. We discuss them with the complainant, and are usually able to resolve the issue without proceeding to legal action. Often there is a misidentification of the weed. Progress over the past year, based upon complaints and our response to them, includes the DAG sending out five abatement letters during the 2006 growing season. There was compliance by most landowners to the letter's requirements. One landowner did not comply, and the DAG proceeded with abatement of the weeds located on his property. The cost of the abatement was \$19,042 and was paid from the Weed Abatement Account. A lien in that amount was placed on the property according to statute. Continued abatement action on this property may ensue in the spring of 2007 depending upon whether the landowner initiates an acceptable noxious-weed control program. We expect there will be an increase of informal complaints over the coming summer as this abatement program becomes better known.

ASSEMBLYMAN HARDY:

How large is the property that required \$19,000 for weed abatement?

JOHN M. O'BRIEN (Administrator, Division of Plant Industry, State Department of Agriculture):

The parcel was approximately 6,000 acres.

ASSEMBLYMAN HARDY:

That is a fairly effective cost rate for that abatement.

ASSEMBLYWOMAN KOIVISTO:

How exactly do you abate the weeds? Do you plow them under, do you poison them or do you burn them?

MR. O'BRIEN:

I could say all of the above. It depends on the weed. In general, for noxious weeds, if you had to pick one thing, it would probably be herbicides or pesticides. In many cases, if they are perennial and they live more than several years, and you try to plow them up, they sprout back. In this case, the weed was that type of weed.

ASSEMBLYWOMAN MCCLAIN:

On your brochure ([Exhibit K](#)), is that a noxious weed on the front?

MR. HENDERSON:

Yes, absolutely.

ASSEMBLYWOMAN MCCLAIN:

It looks like the plants they put in our desert landscaping by our home owners association.

MR. HENDERSON:

Frankly, that is one of the purposes of the noxious-weed lists. The DAG attempts to prevent plants from being propagated and sold commercially if they are bad for the environment and the State of Nevada.

ASSEMBLYWOMAN WEBER:

In the case of property that now has a lien against it for the abatement, can the home owner do anything prior to the sale of the land to remove that lien, and does the money go back into the fund?

MR. O'BRIEN:

I am not certain of that procedure. This is the first time we have put a lien on property for noxious-weed abatement compliance, in cooperation with our chief deputy attorney general. I suspect there is a way in which a landowner could fulfill that lien before the property goes to sale, but I am not sure. The money does go back into the account.

SENATOR TITUS:

I heard at one time there was a group looking into the possibility of turning cheat grass into ethanol. Has anything come of that?

MR. HENDERSON:

I have not heard anything in that regard. Ethanol is primarily based upon the oils in the plant, and cheat grass does not have a lot of oils. If I hear anything about that, I will let you know.

A question arose in the last presentation about wild horses in the Virginia Range. I would like to update you on that situation. There is a map, on page 6 of [Exhibit H](#), showing the area involved. The Virginia Range horse-herd area encompasses about 300,000 acres, the majority of which is under private control. Due to land ownership patterns, with most of it being private land, the BLM conducted a gather of all free-roaming horses residing in this region in the early 1980s and immediately designated the area as free of federal wild horses through a land-use planning process. Since the BLM gather, the horse numbers have increased to the point where they pose a risk to themselves, their habitat, residents and travelers in the area. In response to this situation, the 1997 Legislature asked the DAG to become involved and work with area residents and local governments to develop a management program for wild horses.

In response to the Legislature's request, the DAG developed and implemented the Virginia Range Estray Horse Program. The program's goal is to develop, maintain and implement an effective horse-management program by focusing on the following priorities: public safety and animal welfare; maintenance of a healthy and sustainable estray horse population in the Virginia Range; and establishment of cooperative agreements with non-profit groups to facilitate the adoption and proper care of estray horses removed from the Virginia Range. The lack of dedicated-program funding and limited horse-adoption capacity is viewed as the two predominant obstacles to obtaining effective management for this horse herd. To overcome such issues, the BLM has recently implemented an incentive program where adopters are provided a payment of \$100 a head for the lifetime placement and care of unadoptable horses.



With the development of this federal program, our State adoption program is no longer competitive. We give our horses away at no cost and ask adopters to pay the transportation costs. Despite the financial constraints placed on the program, significant progress has been made. Since August 1999, 1,352 horses have been captured. Of those, 407 have been placed through adoption since June 2002. Despite its success, the current program has not achieved the desired reduction and stabilization of the horse herd. The population has reached a high of approximately 1,200 head. Recently, the DAG lost our last remaining functioning horse-adoption cooperator. One of the problems is available adoptions in Nevada are saturated at this point.

We are still running the program and our option at this point, without having adoption groups or a way to adopt the horses out, is to relocate horses within the herd area. We also treat the adult mares with a contraceptive vaccine to temporarily reduce future recruitment. Currently, we are maintaining funding for the program and doing the best we can with available resources. We are working with the University of Nevada, Reno to increase fertility treatments. If we can hold them for a period of time to give a couple of treatments, we know the treatments will last for at least a three-year period. The program needs some enhancement to expand on a broad basis to be effective.

ASSEMBLYMAN GRADY:

There was money in the White Pine County Public Lands Bill that would go toward a wild horse center in the Dayton area. Was that taken out or left in?

MR. HENDERSON:

I do not know. I will find out for you.

There is one other matter upon which I have been asked to report. That is the update on the 38th Parallel fuel volatility issue. This can be found under item 7 on page 8 of [Exhibit H](#). This may be a matter of some legislation this Session. There is a graphic on page 10 of [Exhibit H](#). There are two opposing parties in this controversy, and the DAG and the Board of Agriculture are in the middle. One side is the Western States Petroleum Association and the American Automotive Manufacturers Association. On the other side are in-state petroleum distributors, represented by the Nevada Petroleum Marketers and Convenience Store Association. The chart on the left side of page 10 shows the fuel volatility standards during the winter months in Nevada prior to the regulatory change. On a graduating scale, the green shows the fuel standards in place in the winter months in northern Nevada, and the orange represents the fuel standards for volatility in place in southern Nevada during the interval of September to April.

Clark County is critical to the fuel-volatility issue. Clark County has its own air quality plan and agreement on fuel standards, and is not affected by the fuel volatility issue. The Board of Agriculture (BOA) has adopted Clark County's plan in its entirety. The BOA was asked why the line exists, and why, during winter months, fuel cannot be brought in from northern Nevada, if there is a fuel shortage, to service the areas outside of Clark County. Southern Utah extends this standard south of where Nevada provides service and into California. Our staff reviewed this and went through the regulatory process. All of the comments were positive for the proposed change reflected in the chart on the right side of page 10. The Board adopted that regulation in May 2005.

At about the same time the Board adopted the regulation, other organizations that did not participate in the review process became interested. Their position was the Board had limited scientific data, and the preexisting delineation was based upon recommendations that came from the American Standardizing and Technology Materials Committee (ASTMC). The ASTMC is a pseudo government private organization that tries to standardize measurements and materials across the U.S. They said by making this change and bringing less volatile fuels into southern Nevada, into a warmer environment in the winter time, may cause drivability issues. Since adoption of the regulation in May 2005, the Board has held three different hearings with the opposing groups. We have gone through one complete winter and are now going into our second winter, and, at this point, there has been no indication of an increase in consumer complaints.

Because of the controversy associated with this issue, all the parties on opposing sides pooled their money and contracted with the Desert Research Institute (DRI) as a third party to come in and summarize and analyze the information. The DRI is in the final stages of completing their report. The Board of Agriculture was given a presentation at their December meeting in Las Vegas. The report found no new information on the subject that had not previously been discussed, disclosed or reviewed by the Board in the previous three meetings. The Board concluded that bringing more volatile fuels into southern Nevada in the winter months could lead to a higher probability or likelihood of vehicle-drivability problems. However, the report could not discern a corresponding increase in reported or confirmed vehicle problems over the past one-and-a-half years.

The good news is this last summer, the Coordinating Research Council completed an extensive hot-season study on fuel volatility in the Phoenix, Arizona, area. It was one of the first studies performed in the region in quite some time. The results of this test will be available this summer or fall. The results should provide additional information on whether the existing regulation provides unacceptable consumer risk. Upon the availability of this information, the DAG will review its findings and work with the involved shareholders to formulate any needed recommendations on this issue to the Board of Agriculture.

CHAIR RAGGIO:

We will next review the Department of Wildlife budget overview.

#### WILDLIFE – Overview (Volume III)

ROBERT W. BUONAMICI (Acting Director, Department of Wildlife):

The mission of the Department of Wildlife (DOW) is to manage, protect and preserve Nevada's wildlife for all Nevadans. In addition, we are responsible for boating safety enforcement and education. To accomplish these two functions on a statewide basis, we have 236 FTEs and 7 bureaus within the DOW. You have been provided a handout entitled "Nevada Department of Wildlife All Revenue Sources FY 2008" ([Exhibit L](#)). The pie charts illustrate how the budget accounts for the DOW comprise the budget request.



DOUG HUNT (Deputy Director, Department of Wildlife):

Funding for B/A 101-4452, our Wildlife account, comes from a wide variety of federal grants as well as license and fee dollars. Additionally, this biennium we are requesting \$1.2 million each year in General Fund dollars which is almost equal to last biennium's request. Our Base Budget in this account supports 236 positions. Salaries and benefits comprise 65 to 75 percent of our approximately \$27 million budget. The Governor's Budget reflects a balanced budget with reserves in FY 2007-2008 of more than \$2.2 million and nearly \$1.5 million in FY 2008-2009. This year, we submitted a BDR with the budget to create a one-day family-fishing permit and to reduce the cost of nonresident antler-less elk tags. These measures are expected to increase license revenues slightly, about \$84,000, while providing greater opportunity to hunt and fish.

We are requesting two new biologist IV positions to assist with implementation of the ten-year Wildlife Action Plan under the Wildlife Diversity Bureau. This would be supported 50 percent by General Fund and 50 percent by federal wildlife grants. Additionally, two positions are being requested to be reclassified to unclassified status. Those include our chief pilot as well as the executive assistant to the director. We have submitted an enhancement under decision unit E-355 which requests an additional administrative service officer (ASO) II position in our fiscal section.

#### E-355 Environmental Policies and Programs – Page WILDLIFE-7

We would also like to reclassify an administrative assistant II position to an ASO III position, bringing the total number of positions to 239.26. This budget reflects only minimal replacement-equipment purchases, about \$100,000 each year for computer hardware and software on the DoIT replacement schedule. No replacement vehicles are requested in either year.

CHAIR RAGGIO:

We approved increases in fees during the last several Sessions. What has been the result? Are revenues from licenses decreasing or increasing?

MR. HUNT:

Revenues are up slightly, but the actual numbers of licenses and tags are rather flat or down.

CHAIR RAGGIO:

Are you saying there is no real increase in fishing, hunting, combination licenses or tags?

MR. HUNT:

Fishing license sales are down, largely due to Lake Mead's water level dropping by over 100 feet. That has been getting a lot of bad press, although the fishing is great. Hunting licenses are up slightly.

SENATOR MATHEWS:

In response to your question of why the sale of fishing licenses is down, one reason is that older people cannot afford to buy them.

CHAIR RAGGIO:

How much does a senior's fishing license cost? I thought seniors' license fees were still relatively low.

MR. HUNT:

We will find out for you.

The next budget I will discuss is B/A 101-4456, the Boating Program.

Wildlife – Boating Program – Budget Page WILDLIFE-15 (Volume III)  
Budget Account 101-4456

The Department is responsible for administration of the Nevada Boat Act under NRS 488 and NRS 501. Funding for this program comes primarily from registration fees, the federal Dingle-Johnson Act, boat-aid grants, boat-fuel taxes, and gifts and donations. The Governor's Budget reflects a balanced budget with reserves in FY 2007-2008 of \$673,000 and nearly \$1.4 million in FY 2008-2009. This budget reflects replacement-equipment purchases primarily for computer hardware and software in accordance with DoIT's replacement schedule and a number of safe boats for patrol use by our boating enforcement officers statewide. This includes four replacement boats and five replacement motors in FY 2007-2008 and four replacement boats and three replacement motors in FY 2008-2009. Three of these boats were not replaced in FY 2006-2007 due to the requirements to enhance the reserve in this budget account.

I will move on to B/A 101-4454, the Trout Stamp.

Wildlife – Trout Stamp Program – Budget Page WILDLIFE-20 (Volume III)  
Budget Account 101-4454

The Base Budget is being eliminated for the hatchery refurbishment project since it should be completed in FY 2006-2007. Funding requests for the upcoming biennium will be used for bond repayment and minor maintenance. This may change in response to actions required to deal with an invasive species recently discovered at the Lake Mead Hatchery which would require future IFC approval. The Governor's Budget reflects a balanced budget with funding sources similar to previous years and a reserve of \$4.3 million in FY 2007-2008 and nearly \$4.2 million in FY 2008-2009. This budget reflects a new equipment purchase of a hatchery substation at Lake Mead.

I will now provide an update of the hatchery refurbishment program. The 2001 Legislature approved S.B. No. 584 of the 71st Session for \$3.1 million to initiate the planning and implementation of a program to refurbish Nevada's four fish hatcheries. The 2003 Legislature approved S.B. No. 416 of the 72nd Session for \$14.5 million. The director of the DOW has approved the additional expenditure of \$7.5 million of Q1 Bond dollars to go toward refurbishment the Gallagher Hatchery. The refurbishment of the Spring Creek Rearing Station, estimated at \$5 million, has been put on hold until sufficient funding is available. An additional \$1.5 million has been made available from the Southern Nevada Public Lands Management Act through the National Parks Service for construction of a Visitor and Interpretive Center at the Lake Mead Hatchery. This is nearly complete.

The Lake Mead Hatchery was completed in June 2006 at a total cost of \$16.9 million. The Gallagher Hatchery is expected to be completed in September 2007 with a final projected cost of \$8.4 million. The Mason Valley Hatchery refurbishment funds have been used for several biennia to upgrade water quality systems, modify feed bins, renovate the well field and backup the power supply switch gear.

Regarding projects requested for FY 2008-2009, the total cost is \$167,000 to be used to renovate a series of raceways at Lake Mead and to perform several small maintenance and improvement projects identified at Mason Valley Hatchery.

CHAIR RAGGIO:

Are all of the hatchery projects completed or are there still some that need to be finished?

MR. HUNT:

There are still some that have to be completed. The Baker Hatchery is still operating, and we are estimating it will cost an additional \$5 million to bring it up to speed. We are going to maintain that facility for now to deal with some of the issues that have occurred at Lake Mead.

CHAIR RAGGIO:

Have any of the hatcheries experienced the whirling disease?

MR. HUNT:

No, we are fortunate not to have any whirling disease currently in the State.

There have been some recent developments at Lake Mead and the Lake Mead Hatchery of which I would like to inform the Committee. An aquatic-nuisance species, the quaga mussel, was discovered in Lake Mead and at the Lake Mead Hatchery. The presence of this invasive species could limit our ability to stock trout raised at Lake Mead in the waters of the State other than at Lake Mead.

CHAIR RAGGIO:

Is there anything that will eat the quaga mussels?

MR. HUNT:

No, there is nothing. This is a widespread problem. The quaga mussel has been described as a zebra mussel on steroids. Quaga mussels are larger, more aggressive and heartier than the zebra mussel.

CHAIR RAGGIO:

As far as fishing trout out of Lake Mead, will the quaga mussels affect the trout?

MR. HUNT:

It should not affect the trout. Quaga mussels settle out on hard services, primarily, although they can settle on the soft bottom as well. They filter feed and denude the water of plankton, that other fish use to survive, as well as clog up intakes. The intake at Lake Mead is operated by the Basic Water Company. It was installed in 1940. With the dropping of the lake level by over 100 feet, it is

now less than 70 feet in depth. Currently, our employees are meeting with the Basic Water Company to identify long-term solutions.

CHAIR RAGGIO:

Is any federal funding available for this purpose?

MR. HUNT:

There would potentially be federal funding, but we are looking for a partnership with Sun Nevada Power and perhaps the Water Authority. The short-term solution will be to operate the hatchery on a reduced schedule. The long-term solution is to develop an alternate source of water.

ASSEMBLYMAN HOGAN:

Is the quaga mussel limited in its operations below any particular depth?

MR. HUNT:

They are found from the surface down to 140 feet. We have not found any below 140 feet so far.

SENATOR BEERS:

Does the intake you are concerned about feed multiple users?

MR. HUNT:

Yes, it does. The Southern Nevada Water Authority is having the same problem with their intake at Saddle Island.

SENATOR BEERS:

Are you more concerned about the water level or the quaga mussel?

MR. HUNT:

We are concerned about both problems.

The next budget is B/A 101-4458, our Obligated Reserve account.

Wildlife – Obligated Reserve – Budget Page WILDLIFE-24 (Volume III)  
Budget Account 101-4458

This B/A represents the Department's restricted program funding sources and expenditures including the duck stamp, habitat-conservation fee, elk-damage fee, upland-game fee, gifts and donations, and other special categories including our Operation Game Thief donations.

CHAIR RAGGIO:

Are these monies that can only be used for specific purposes?

MR. HUNT:

That is correct. The Governor's Budget reflects a balanced budget with reserve in FY 2007-2008 of nearly \$1.2 million and nearly \$1.1 million in FY 2008-2009. The budget includes special projects within these restricted-funding sources identified by the agency and supported in the Governor's Budget. Some of these projects also require Wildlife Commission approval prior to implementation. These include duck stamp and upland game

stamp projects. Commission approval will be sought following approval of the budget by the Legislature.

CHAIR RAGGIO:

I just received an answer to our earlier question regarding the price of fishing licenses for senior citizens. Seniors are required to pay a little over \$1 a month for a fishing license. The trout stamp is an extra 80 cents. Seniors are required pay a total of \$2.30, less than \$2 a month, for a fishing license with a trout stamp.

MR. HUNT:

I will now update the Committee on the DOW Q1 Bond program. The \$200 million Q1 Bond passed the Legislature in 2001 and was approved by the voters in 2002. Of the \$200 million, the DOW portion is \$27.5 million. Assembly Bill No. 9 of the 73rd Session directed the DOW to allocate those funds to the acquisition of real or personal property or interest in that property to protect, enhance and manage wildlife in their habitats or enhance recreational opportunities related to wildlife. Another purpose for which the funds could be used is the development and renovation of facilities or the improvement of existing habitat for fish and other wildlife. We are maximizing the use of bond dollars for the greatest benefit of State residents by leveraging those dollars with partnerships and matching dollars primarily from federal funds.

The DOW held a series of scoping meetings in the spring of 2003 to identify projects the public would like to see conducted. We received 122 specific project proposals, totaling more than \$87 million which is approximately three times more than we have. We also held a series of scoping meetings in May 2005 to look at additional potential projects, because projects come and go, fall off the plate and new projects replace them. We have continued to accept project proposals for future rounds and plan to have an additional scoping meeting this spring. The projects are evaluated by a team which includes all of our resource bureau chiefs. They are evaluated based upon their consistency with planning documents such as the Nevada Wildlife Action Plan, the Governor's Sage Grouse Plan and others.

Question 1 projects completed during the past biennium include part of the hatchery refurbishment, the Steptoe Valley Wildlife Management Area (WMA) Wetlands which includes the development of an additional 500 acres of wetlands associated with the North American Wetlands Conservation Act grant. The WMA Habitat Improvement Projects included projects at our Steptoe, Kirch, Mason Valley and Overton WMAs. The Carson River Kirman Tract Easement involved placement of a conservation easement on 1,200 acres along the Carson River in Douglas County owned by the Bentley Commerce Corporation. The easement will allow riparian restoration, fishing, family hunting, hiking, rafting and other recreation. Funding partners in this project include the Nature Conservancy of Nevada, the Bentley Commerce Corporation and the DSL.

CHAIR RAGGIO:

Where is this project located?

MR. HUNT:

This project is located on the southeast side of the Carson River from Cradlebaugh Bridge almost to the Mexican Dam. The Lockes Ranch acquisition

and restoration involved the acquisition and current ongoing restoration of the 460-acre parcel known as Lockes Ranch and the water rights associated with it at our Railroad Valley WMA east of Tonopah. The spring pools and outflows of the ranch are critical habitat for the threatened Railroad Valley springfish. Project partners include the Trust for Public Land and the U.S. Fish and Wildlife Service (USFWS). We are using a Recovery Lands Acquisition grant, funded 75 percent by the USFWS, on that project. Our Humboldt WMA near Lovelock included the acquisition of 15,665 acres, previously owned by the Newmont Mining Corporation, for wetland and recreational benefits.

Some of our ongoing Q1 projects include the Fuji Park Urban Pond in Carson City. This project involves construction of an urban fishing pond in Fuji Park, with construction to begin this spring. Another nearby project is the Truckee River Restoration which involves riparian and aquatic-habitat restoration associated with the Truckee River on the McCarran Ranch. The Nature Conservancy and numerous other organizations are partners on this project. In Elko County, the Dave's Island Tract Acquisition involves acquisition of 1,100 acres on the north boundary of the Jarbidge Wilderness. The property includes portions of Davis Creek which is a critical habitat for the threatened bull trout. A \$1 million grant from the USFWS Recovery Land Acquisition program was awarded to the DOW to partially fund the project. Regarding restoration of habitats impacted by wildfire, phase one is an initial commitment of \$500,000 in Q1 funds to purchase seed and aerial application of seed in areas devastated by the wildfires of 2006.

Proposed projects for the upcoming biennium include an acquisition of Bassett Lake. This property, located in White Pine County, is owned by the Kennecott Corporation. Partners on this project include White Pine County, Rocky Mountain Elk Foundation, DSL and the city of Ely. Another is the Elko Urban Pond project, an urban pond at the 12th Street Bridge in Elko. The city of Elko is a partner. The Eastern Nevada Habitat Improvement project includes riparian and aspen restoration in eastern Nevada. The BLM and Forest Service are partners. We plan to conduct a number of projects identified in the Governor's Sage Grouse Plan this biennium. Some additional WMA improvements, including another urban pond at Crystal Peak Park on the Truckee River in Verdi, are included in upcoming projects. For the restoration of habitats impacted by wildfire, phase two, we plan to contribute additional Q1 dollars dedicated for wildfire restoration in eastern Nevada in FY 2008-2009.

The DOW sold \$8 million in bonds in September 2003 to fund the first round of projects, and we sold an additional \$1.5 million in 2004.

CHAIR RAGGIO:

How much would be required for the proposed projects you just talked about? Do you know the dollar amount required to complete those projects?

MR. HUNT:

I will supply that figure to the Committee.

In the fall of 2006, we sold another \$5.5 million in bonds for a total of \$15 million. That leaves \$12.5 million to be sold in the upcoming biennium and fund future projects.

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CHAIR RAGGIO:

As I recall, in the Governor's Budget, there was \$10 million in the south and \$10 million in the north for stream-restoration projects. Do you have any information on that?

MR. HUNT:

No, I do not.

ASSEMBLYWOMAN MCCLAIN:

What is the health status of our last 77 pup fish?

MR. BUONAMICI:

They are still alive and well, as far as we know.

ASSEMBLYMAN GRADY:

When properties are purchased from a mine, or whoever, is there anything to offset the rural counties for the loss of revenue from taxes because you will take them off the tax roll?

MR. HUNT:

We pay payments in lieu of taxes which are equal to the current rate at the time of purchase, and it stays the same in perpetuity.

CHAIR RAGGIO:

There being no further business to come before the Committee, the meeting is adjourned at 4:06 pm.

RESPECTFULLY SUBMITTED:

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Jo Greenslate,  
Committee Secretary

APPROVED BY:

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Senator William J. Raggio, Chair

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

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Assemblyman Morse Arberry Jr., Chair

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