

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fourth Session
February 6, 2007**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:01 a.m. on Tuesday, February 6, 2007, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

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

COMMITTEE MEMBERS ABSENT:

Senator Bob Coffin (Excused)
Senator Dina Titus (Excused)

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Larry L. Peri, Principal Deputy Fiscal Analyst
Michael Archer, Committee Secretary

OTHERS PRESENT:

Brian K. Krolicki, Lieutenant Governor, Office of the Lieutenant Governor
Robert R. Loux, Executive Director, Agency for Nuclear Projects, Office of the Governor
L. Patrick Hearn, Executive Director, Commission on Ethics
James Kosinski, Chair, Commission on Ethics
Don L. Soderberg, Chair, Public Utilities Commission of Nevada
Crystal Jackson, Commission Secretary, Public Utilities Commission of Nevada
Ron W. Sparks II, Director, Western Interstate Commission for Higher Education

CHAIR RAGGIO:

We will now discuss the proposed "Senate Committee on Finance Standing Rules for the 2007 Session" ([Exhibit C](#)). These rules are the same as those of last Session. The rule prohibiting smoking has been deleted because it is now a provision of the Nevada Constitution.

SENATOR CEGAVSKE MOVED TO ADOPT THE SENATE COMMITTEE ON FINANCE STANDING RULES FOR THE 2007 SESSION.

SENATOR BEERS SECONDED THE MOTION.

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

CHAIR RAGGIO:

The Senate fiscal analyst has provided each Committee member with a memorandum entitled, "Budget Reviews - Full Committee/Subcommittee/Staff" ([Exhibit D](#)). This document contains a list of 426 budgets included in the *Executive Budget* of which 67 will be reviewed by the full committee and 359 will be assigned to subcommittees and staff. Please review this document and provide feedback to the staff if you discover budgets that are in the wrong subcommittees or if you wish the full committee to hear a particular budget.

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

Please refer to the January 2007 "Meeting Notice and Agenda — Interim Finance Committee — Volume IV" ([Exhibit E](#), original is on file in the Research Library). This is a report required as part of the onetime appropriations approved by the 2005 Legislature. There may be follow-up requests for funding during the current Legislative Session by these same agencies, and this report will provide information about how those onetime appropriation funds were spent.

CHAIR RAGGIO:

We will now hear the budget for the Office of the Lieutenant Governor.

ELECTED

Lieutenant Governor – Budget Page ELECTED-34 (Volume I)
Budget Account 101-1020

BRIAN K. KROLICKI (Lieutenant Governor, Office of the Lieutenant Governor):

I intend to pursue several goals in the coming years. One is the Nevada Plan that will leverage unclaimed property into a \$50 million pool for economic development purposes. Another is to bring the 2018 Winter Olympic Games to northern Nevada. I want to make Nevada a gateway for tourism and commerce in the western United States and assist in plans for renewable energy sources by using a holistic approach. A great deal of economic activity is spurred by this type of activity.

The only budget issue I will address today deals with compensation and salary for my staff. I want them to achieve salary parity with the staffs of other constitutional offices. My current staff has taken significant reductions in pay, from 30 to 40 percent, to come with me from the Office of the State Treasurer. If we are unable to provide this salary parity, they will leave to pursue other better-paying opportunities.

There are three approaches to increasing their pay. The first is to use the unclassified pay bill. The staff of the Office of the Lieutenant Governor is currently comprised entirely of unclassified employees. My predecessor did not participate in the unclassified pay bill increases in either the 2001 or 2003 Legislative Sessions. To do so now would require a large percentage increase. The second approach would be to create a new classification for these employees called "nonclassified." This would entail combining all salary funds assigned to my Office and giving me discretion to arrange the individual salary amounts.

CHAIR RAGGIO:

Please furnish our Fiscal Analysis staff with the proposed pay levels for your staff and how you would allocate the proposed salaries if your employees were changed to a "nonclassified" category.

SENATOR CEGAVSKE:

Does your staff often travel between Carson City and Las Vegas? How much time do you and your staff spend in Las Vegas?

LIEUTENANT GOVERNOR KROLICKI:

Two members of my staff are based in Las Vegas. Although I am trying to learn how much travel will be required, the budget we have submitted should adequately cover that expense.

This issue of salary is so important to me that if we cannot get pay increases for my staff through the unclassified pay bill or by a changing their status to "nonclassified," I will consider eliminating up to two positions and use those salary savings for other positions.

CHAIR RAGGIO:

The Office of the Lieutenant Governor has grown in importance over the years when it was largely a ceremonial position. It now has important assignments, including the Chair of the Commission on Economic Development and Chair of the Commission on Tourism. Additional responsibilities include membership on the Board of Directors of the Department of Transportation and the Executive Branch Audit Committee. Also, the Lieutenant Governor serves as Acting Governor. Many previous Lieutenant Governors personally financed the Office. Though we have added all these responsibilities, the Legislative and Executive branches of State government have neglected to fund this Office to the level required.

There is an increase in operating expenses for the Office of Lieutenant Governor. This is not due to an expansion of space for the staff, but rather from a new assessment for State-owned building rent which has increased in cost per square foot to \$1.09. Your budget requests seem appropriate. Please furnish this Committee with the proposed salary levels to consider. I suggest you make the same request when you appear before the Assembly Ways and Means Committee.

CHAIR RAGGIO:

We will now hear the budget for the Agency for Nuclear Projects.

High Level Nuclear Waste – Budget Page ELECTED-11 (Volume I)
Budget Account 101-1005

ROBERT R. LOUX (Executive Director, Agency for Nuclear Projects, Office of the Governor):

Please refer to my handout, "Status of the Yucca Mountain Project" ([Exhibit F](#)). In 2002, the U.S. Department of Energy (DOE) was required to certify a record of all documents and materials they intended to use in the licensing proceeding before the Nuclear Regulatory Commission (NRC). They failed to meet the December 2002 deadline for submitting a license application. Since that time, the project has been beset by other problems. In 2005, it was discovered that one of the subcontractors to the DOE, a hydrologist with the

U.S. Geologic Survey, had falsified data, records and computer models. This was discovered through a series of e-mails being reviewed by the DOE. The falsified information related to the infiltration of water into and out of Yucca Mountain. This was key data in determining the site's suitability as a nuclear waste repository.

There have also been problems with quality assurance. The NRC requires documentation of each scientific step taken in the project. The DOE had problems complying with the process and still has an unacceptable quality assurance program.

Recently, strong comments have been issued by the outgoing head of the NRC to the effect the program is deeply flawed and should be terminated. He further stated that given the strong resistance of congressional leaders from Nevada, the DOE has no chance of getting legislation passed to fix these problems. Lobbyists from the Nuclear Energy Institute, which is the lobbying arm of the nuclear industry, have indicated they do not intend to push the U.S. Congress for bills to fix the Yucca Mountain project. The Chairman of the Exelon Corporation, the largest nuclear utility operating in the United States, has indicated there is no chance for Yucca Mountain to go forward. In addition, U.S. Senator Harry Reid, who opposes the repository at Yucca Mountain, will be influential in appointing the new head of the NRC.

The federal budget for Yucca Mountain has been dramatically reduced by both Congress and the President. We do not know the exact amount that will be appropriated for the coming year. Thus, there is an erosion of confidence in Congress, within the nuclear industry, and, perhaps, by the Administration regarding the Yucca Mountain project.

Still, the DOE intends to submit a license application to the NRC in June 2008. The State will be required to contest that action.

CHAIR RAGGIO:

Tell us more about the ongoing litigation.

MR. LOUX:

There are two cases currently in litigation. One, being heard in the Federal District Court in Las Vegas, involves the DOE application for permanent water rights at Yucca Mountain and is being handled by the Office of the Attorney General. The Office of the State Engineer denied those rights on the basis the DOE was not ready to proceed with construction of the facility. Consequently, that case is being held in abeyance pending a decision by the DOE to submit another application.

The other case is pending in Federal District Court in Reno. This is a Freedom of Information Act (FOIA) request. The State of Nevada asked the DOE for a Draft License Application which the DOE denied. The Office of the Attorney General challenged that denial under the FOIA. They have already been through discovery and other preliminary motions. On January 31, 2007, the State submitted a motion for summary judgment. We expect to hear from the court within the next two months.

We anticipate filing two other court cases. The U.S. Court of Appeals threw out the previous U.S. Environmental Protection Agency (EPA) radiation standards for

Yucca Mountain. They ruled those EPA radiation standards were too lax because the standards only encompassed the first 10,000 years of the life of radioactive waste, not the entire hazard period. The EPA has yet to submit a new standard. A draft standard was issued about a year ago upon which the State commented. The revised standards will be released this spring. We anticipate challenging them since early indications are they will be similar to standards the court previously found unacceptable.

CHAIR RAGGIO:
Why is not a 10,000-year standard sufficient?

MR. LOUX:
Congress ordered the EPA to follow recommendations of the National Academy of Science (NAS) in defining a radiation-exposure "dose" level as well as the time frame under which this material would be considered hazardous to humans. The NAS determined that 300,000 to 500,000 years should be the standard.

CHAIR RAGGIO:
Can standards involving such long periods of time ever be achieved?

MR. LOUX:
The Waste Isolation Pilot Plant (WIPP) in Carlsbad, New Mexico, meets the standard of 15 millirems for 10,000 years and may be able to meet a 1 million-year standard for storing intermediate-level waste.

CHAIR RAGGIO:
One alternative to moving this material to Yucca Mountain is to leave it where it is. Is not the material hazardous where it is currently being held?

MR. LOUX:
Nuclear power plant owners have testified before Congress that the waste at the reactor sites, if stored in dry casks, is safe for at least the next 200 years.

CHAIR RAGGIO:
After 200 years, what will happen to the material in those casks?

MR. LOUX:
The Administration is interested in a proposal to move toward reprocessing this waste by removing the uranium and plutonium for reuse, then isolating the remainder of the waste in glass blocks for storage in intermediate-level waste repositories. This technology does not currently exist in the United States. The Secretary of Energy indicates it will be expensive to develop and may take 40 or 50 years to acquire.

CHAIR RAGGIO:
What do other countries do with their nuclear waste?

MR. LOUX:
France reprocesses the waste and reuses the resulting fuel in their nuclear reactors. The residual waste product is stored in glass at the reactor site. There are no facilities anywhere in the world designed to dispose of high-level nuclear waste.

The primary issue the State has with the Yucca Mountain project has to do with the way water moves within the site. Water is the primary ingredient which initiates corrosion of the metal containers. The DOE concluded the geology of Yucca Mountain has no effect on waste isolation or the protection of the public from the waste material. The DOE believes the existing metal storage containers will provide 100 percent of the necessary containment of this waste. While some in the scientific community believe these containers might last 10,000 years, there is no one who believes they will last for 200,000 to 300,000 years.

SENATOR CEGAVSKE:

Have there been improvements in the nuclear waste storage casks since they were first developed in the 1960s?

MR. LOUX:

There are no newly-manufactured transportation casks anywhere in the system. The DOE is still using the same casks manufactured in the late 1960s, though they have plans to replace them. The casks used to store waste at reactor sites are larger and heavier because they have to be transported. These casks are set in concrete vaults.

SENATOR CEGAVSKE:

Have storage casks, used at the reactor sites, been upgraded or newly designed?

MR. LOUX:

The storage casks were redesigned and improved in the late 1990s.

SENATOR CEGAVSKE:

What is the quantity and type of nuclear waste now being stored at the Yucca Mountain site?

MR. LOUX:

No nuclear waste is currently being stored at the Yucca Mountain site. Shipments of low-level nuclear waste come to Nevada from various locations and are stored at the Nevada Test Site though none of it is commercially-generated low-level waste. None of this waste material travels through the Las Vegas area or over Hoover Dam. Only rural routes are used. To compensate local governments for providing adequate emergency preparedness in area through which these shipments pass, the DOE provides a \$.50 a cubic-foot "tipping" fee that goes to the Division of Emergency Management. These funds are then passed along to the local governmental entities through which this material is transported.

SENATOR CEGAVSKE:

Some local governments were not notified when this waste was transported through their areas.

MR. LOUX:

There is no federal or state rule that requires prenotification when low-level nuclear waste is being transported. However, there would be a rule for high-level waste being transported to Yucca Mountain.

SENATOR CEGAVSKE:

Why were some local governments notified about these shipments while others were not?

MR. LOUX:

There has never been any requirement to prenotify local governments about shipments of low-level nuclear waste. The notification actually occurs after the transportation of the waste is completed. This is in the form of a quarterly report produced by the DOE showing the routes and number of shipments.

CHAIR RAGGIO:

Will there be a reduction in federal funding for your agency?

MR. LOUX:

The President's 2008 proposed budget for oversight funding of the Yucca Mountain project calls for us to receive \$2.5 million. This is \$500,000 more than was appropriated in each fiscal year (FY) of the 2005-2007 biennium.

CHAIR RAGGIO:

What is the outlook for federal funding in the 2007-2009 biennium?

MR. LOUX:

We anticipate receiving \$2.5 million in each of those years. This money can only be used for scientific oversight activities that relate to prelicensing and licensing activities. It does not include the salaries and expenses of state employees.

CHAIR RAGGIO:

Have the audit problems you experienced in past years been resolved?

MR. LOUX:

Yes. We have not had any audit problems in the last ten years.

CHAIR RAGGIO:

Please be sure these funds are used only for their intended purpose.

MR. LOUX:

Yes, we will.

CHAIR RAGGIO:

How much funding will you receive from the Nevada Department of Transportation?

MR. LOUX:

We anticipate receiving \$400,000 in each year of the 2007-2009 biennium as we have in the past. That money will enable us to oversee and evaluate new rail routes proposed by the DOE and perform our own impact assessments of those projects.

CHAIR RAGGIO:

How much will you receive from the Western Governors' Association grant?

MR. LOUX:

Those funds, \$150,000 in each year of the 2007-2009 biennium, are primarily provided by the DOE to the Western Governors' Association and then passed along to us. The funds are for training and equipping other State agencies to prepare for shipments of intermediate-level nuclear waste from the Nevada Test Site to the WIPP.

CHAIR RAGGIO:

Are there other shipments going through northern Nevada to Idaho?

MR. LOUX:

That was a onetime shipment that took place in either 1999 or 2000. The Western Governors' Association grant money is to be used specifically for shipments from the Nevada Test Site to the WIPP.

CHAIR RAGGIO:

You also receive \$50,000 each year from Clark County for water chemistry analysis, corrosion studies and volcanic hazard assessments. Was this money used?

MR. LOUX:

Clark County offered to pay for some scientific studies. The amount we receive depends on how much money Clark County receives from the federal government for oversight efforts.

CHAIR RAGGIO:

You have not yet established the authority in FY 2006-2007 for that revenue and expenditure. Please submit a work program to our Fiscal Analysis Division.

MR. LOUX:

I will do that.

CHAIR RAGGIO:

The *Executive Budget* proposes an increase of about \$400,000 from the General Fund for each fiscal year. When this is added to the Base Budget funding, it totals \$1 million to be used in authorized expenditures for licensing and prelicensing activities in each fiscal year. In view of the fact you are facing a limited amount of litigation, how will these funds be used?

MR. LOUX:

None of our funds are for litigation. That is funded in the budget of the Office of the Attorney General. The funds you mention will be used to participate in the prelicensing activity at the NRC. The NRC staff is proposing several ways to reduce the number of issues involved in the licensing process. The State could be harmed by not being an active participant in this process.

CHAIR RAGGIO:

You are getting \$2.5 million a year from the federal government. Why do we need to provide another \$1 million a year?

MR. LOUX:

The projected budget for these prelicensing activities is approximately \$5 million. We have not reached that level of funding because of a shortfall last Session. In the year prior to the DOE submitting an application, it is critical for

the State to get all its scientific work completed. This includes work being done on corrosion and volcanic hazards by 30 to 40 scientists and the preparation of challenges to any NRC rulings we feel are incorrect.

CHAIR RAGGIO:

What amount of funding is absolutely necessary to do this work?

MR. LOUX:

The amount we are asking for in the *Executive Budget* is absolutely critical.

CHAIR RAGGIO:

You are asking for a supplemental appropriation of \$604,291. The original \$1 million was for the 2005-2007 biennium. You expended \$604,291 in FY 2006 and you carried forward nearly \$400,000 from FY 2006 to FY 2007. Only \$86,000 has been recorded so far this year for expenditures. How are you going to spend the rest of that money, and why do you need a supplemental appropriation on top of that?

MR. LOUX:

We are nearly out of State money and have not yet received FY 2007 federal money. We will have little money in our budget from now until the end of the current fiscal year.

CHAIR RAGGIO:

If we approve this supplemental appropriation for \$604,291, your amount available for the remainder of FY 2007 would be approximately \$913,000. This is because you still have \$309,000 that has not been spent.

MR. LOUX:

I do not agree with the amount of State money you show we still have available. By the time we pay our January expenses, we will almost be out of State funds.

MR. GHIGGERI:

As of this morning, there is about \$288,000 left in that expense account.

MR. LOUX:

Our January expenditures will total at least \$200,000.

CHAIR RAGGIO:

Please provide that information to the Senate fiscal analyst as soon as possible.

MR. LOUX:

With the exception of this supplemental appropriation request, the budget is exactly the same as it has been for the last several Legislative Sessions. It supports a seven-person staff in Carson City and the seven-person Commission on Nuclear Projects. The Commission's primary recommendation is to continue to increase support for our legal and prelicensing efforts. The second year of the coming biennium, particularly after the June 2008 licensing effort by the DOE gets underway, may prove to be a problem because the amount proposed in the *Executive Budget* may not be adequate. We anticipate our budget needs during that licensing process to be \$8 million to \$10 million a year. Knowing that we will only get \$2.5 to \$3 million from the federal government, we may approach the Legislative Interim Finance Committee for additional funds.

CHAIR RAGGIO:

Why do you anticipate an increased need for funds after the DOE licensing effort if, in your opinion, that licensing is not going to be granted?

MR. LOUX:

We will do everything we can to thwart that application by challenging the EPA standards and their certification of records. Once the application is submitted, we will probably challenge the completeness of that application to determine whether we can persuade the NRC not to accept it. If we are not successful with these efforts, the proceedings will then begin. The NRC will hold three simultaneous licensing boards at various locations throughout the country. This is intended to help them meet the four-year time frame under the law for completing the application process. Normally, this process would take 10 to 12 years. Each of the three licensing boards will require us to provide two to four lawyers and two staff positions. This alone will greatly increase our costs and does not include the increased expenditures for scientific experts who will be required to provide testimony before these boards.

CHAIR RAGGIO:

Will some of those costs be included in the budget for the Office of the Attorney General?

MR. LOUX:

The combination of State funds for our office, funds for the Office of the Attorney General and the anticipated \$2.5 million in federal funds will still leave us \$3 million to \$5 million short.

SENATOR BEERS:

What is the purpose of having the three licensing boards proposed by the NRC?

MR. LOUX:

One such licensing proceeding to approve a simple storage facility in Utah took the NRC eight and a half years to grant a license. Consequently, a more complex project like licensing the Yucca Mountain project could, according to NRC staff, take 12 to 14 years. The NRC believes three licensing boards, acting simultaneously and each addressing separate issues, will speed the process along.

SENATOR BEERS:

Will you be testifying with the same level of intensity as in past licensing situations?

MR. LOUX:

We will be presenting the same issues as in the past, though they will be compressed in time. Our increased costs will arise from having to hire three sets of lawyers and three sets of staff to appear at three separate proceedings over the prescribed four-year period. However, our scientists will likely not be testifying before all three proceedings since each board will be responsible for specific issues.

SENATOR RHOADS:

What happened to the plan to store nuclear waste at a Native-American reservation in Utah?

MR. LOUX:

The facility in Utah received a license from the NRC; however, the Department of the Interior and the Bureau of Indian Affairs objected to transportation routes that would pass through wilderness areas or tribal lands. Some people speculate this challenge was engineered by U.S. Senator Orrin Hatch to ensure the facility will not be used. Consequently, the Bureau of Land Management issued opinions that blocked the construction of transportation routes to the site. The proponents of the site have decided not to appeal those opinions. The facility is fully licensed by the NRC, though it may never be used.

CHAIR RAGGIO:

We will now hear the budget for the Commission on Ethics.

Ethics Commission – Budget Page ELECTED-166 (Volume I)
Budget Account 101-1343

L. PATRICK HEARN (Executive Director, Commission on Ethics):

Please refer to page 3 of my handout ([Exhibit G](#)) for my biographical sketch. I will review the performance indicators on page 1. Please note the "Request for opinion filed" category shows a 20-percent increase. The "Percentage of investigations completed" category shows zero percent. This is because the subjects of such complaints always waive the time requirement. They do this to allow more time to retain and prepare counsel. I will be evaluating these performance indicators and anticipate making some recommendations to the Commission on Ethics for revisions.

SENATOR BEERS:

Are the performance indicators something the Commission asks for or this Committee requests?

MR. GHIGGERI:

The performance indicators are developed in conjunction with the Budget Division.

JAMES KOSINSKI (Chair, Commission on Ethics):

Statute requires the executive director of the Commission on Ethics to report annually to the Commission, and the performance indicators are contained in that report. The Governor also requests these performance indicators for use in preparing the *Executive Budget*.

SENATOR BEERS:

What are the time frames for your performance indicators?

MR. HEARN:

Being new to this job, I do not know.

SENATOR BEERS:

When you have completed revising the performance indicators, please allow this Committee to review them.

MR. HEARN:

Yes, I will.

MR. KOSINSKI:

These are not performance goals; they represent some history and projections.

MR. HEARN:

Part of the funding for this Commission is derived from an assessment imposed upon cities and counties, with unincorporated areas, whose population is 10,000 or more. Funding is apportioned based on the proportion of the population of the city or county to the total population of all such cities and unincorporated areas of counties in Nevada. The *Executive Budget* proposes 60 percent of our funding be derived from those local assessments and 40 percent from the State.

The budget we are presenting today allows us to maintain current service levels and does not contain new positions, equipment or other enhancement requests. Our initial request included a supplemental appropriation of nearly \$11,000 to pay for unfunded costs relating to an anticipated hearing. However, the case was settled in December 2006, and the supplemental appropriation request was withdrawn.

CHAIR RAGGIO:

What are the five positions on your staff?

MR. HEARN:

The staff of the Commission on Ethics consists of the executive director, a general counsel, a legal research analyst, an investigator and an executive assistant.

CHAIR RAGGIO:

Is that number of staff adequate for your purposes?

MR. HEARN:

I anticipate needing additional staff, particularly more investigators.

CHAIR RAGGIO:

Is there any provision in the budget for contracting additional investigators?

MR. HEARN:

No, there is not.

CHAIR RAGGIO:

Who assists your investigator in developing information?

MR. HEARN:

Our legal research analyst assists our investigator, and our full-time general counsel also assists on occasion.

SENATOR CEGAVSKE:

From information provided to this Committee by our Fiscal staff, I see a listing of counties that were the source of "Requests for Opinion" files in calendar years 2005 and 2006. Under Nye County, there is a category entitled "Other." What does that represent?

MR. HEARN:

I am not familiar with that document, but suspect it might represent requests made by e-mail.

CHAIR RAGGIO:

Have you had any problems collecting revenue from the local governments?

MR. HEARN:

We have had no problems.

MR. KOSINSKI:

According to statute, if they refuse to pay, we notify the Department of Taxation and they withhold money from the local government's Consolidated Tax Distribution.

CHAIR RAGGIO:

We will now hear the budget for the Public Utilities Commission of Nevada (PUCN).

COMMERCE AND INDUSTRY

Public Utilities Commission – Budget Page PUBLIC UTILITIES COM-1 (Volume I) Budget Account 224-3920

DON L. SODERBERG (Chair, Public Utilities Commission of Nevada):

Ms. Crystal Jackson will review our budget, after which I will be happy to answer any questions you may have.

CRYSTAL JACKSON (Commission Secretary, Public Utilities Commission of Nevada):

Our budget request is built around the annual mill assessment which is currently set at a rate of 2.0 mills for both years of the biennium. However, with the increased personnel costs included in the *Executive Budget*, the mill assessment will need to be adjusted to 2.1 mills for FY 2008 and 2.15 mills for FY 2009. This is necessary to ensure the Commission stays within the optimum reserve range of \$1.9 million to \$2.4 million. Additionally, a work program was submitted to the Budget Division last week deaugmenting \$600,000 in our operating expenses with a corresponding increase of \$600,000 to our reserve account for FY 2007. This savings in our operating expenses resulted from lower than projected costs of the new Electronic Filings and Records Management System.

Our budget was developed utilizing the 2005 calendar year gross utility operating revenues and factoring in a load growth of 4 percent for Nevada Power Company, 2 percent for Sierra Pacific Power Company and 6 percent for Southwest Gas Corporation. Pursuant to *Nevada Revised Statute* (NRS) 704.033, the Commission is required to notify utility companies of the mill assessment by June 15 of each year for the following fiscal year. The statutory maximum is 3.5 mills.

The Base Budget includes approximately \$225,000 for expert consultants to effectively perform our function of regulating the utility industry in the areas of telecommunications, federal legislation and general rate case support. The

Base Budget also includes approximately \$153,300 to fund and administer an aggressive staff training and development plan.

E-710 Replacement Equipment – Page PUBLIC UTILITIES COM-3

The budget request includes approximately \$559,786 for new and replacement computer hardware and software to upgrade and standardize applications; provide remote access and off-site computing capability to staff that require it; and maximize the productivity of the staff through technology. This enhancement item also includes approximately \$39,000 for replacement of one 4x4 utility vehicle in FY 2008 for the Rail Safety Inspection Program. This vehicle will be required to use flexible fuel, such as ethanol, bio-diesel fuel, or be a dual-mode hybrid. This will allow us to reduce our fossil fuel consumption.

CHAIR RAGGIO:

Is it wise to use such a vehicle in outlying areas where that type of fuel may not be available?

MR. SODERBERG:

The "clean diesel" vehicles can run on regular diesel if bio-diesel fuel is unavailable. The "flexible fuel" vehicles can run on either ethanol or gasoline.

CHAIR RAGGIO:

Given the 56-percent increase in cost to use this type of vehicle, why is it necessary?

MR. SODERBERG:

Since the PUCN is asking the public to conserve energy, we should be setting an example. Vehicles such as these will allow us to conserve energy and reduce our carbon footprint. In this budget cycle, we hope to purchase one vehicle. Because of the unpaved roads our inspectors are required to drive upon to conduct rail safety inspections, we need a full-size sport utility vehicle which traditionally consumes large amounts of gasoline.

SENATOR BEERS:

Raising the utility rates with your proposed assessment increase to appear energy friendly will probably not appeal to my constituents.

MS. JACKSON:

The Rail Safety Inspection Program is funded through a combination of assessments to railroads and a portion of hazardous waste disposal fees paid to the State. The vehicle costs would be recovered through those revenues.

CHAIR RAGGIO:

What do you anticipate is an appropriate level of reserve?

MS. JACKSON:

In FY 2007-2008, with the increase in the mill assessment rate, the reserve will be \$2.3 million and in FY 2009 it will be approximately \$1.8 million. Our optimum reserve is between \$1.9 million and \$2.4 million. This should be adequate, although it will be slightly below that in FY 2009. We generally collect more than we project and we always have savings.

CHAIR RAGGIO:

How many people are on your staff at present?

MS. JACKSON:

There are 93 employees. We are not requesting any new positions in this budget.

In the last Session, the Legislature approved the Electronic Filing and Records Management System for our agency. The system provided savings in this fiscal year of about \$600,000 due to lower-than-anticipated implementation costs. Last fiscal year, the system saved us about \$170,000. The project will be completed about six months ahead of schedule.

CHAIR RAGGIO:

We will now hear the budget for the Western Interstate Commission for Higher Education (WICHE).

EDUCATION

W.I.C.H.E. Administration – Budget Page WICHE-5 (Volume I) Budget Account 101-2995

RON W. SPARKS II (Director, Western Interstate Commission for Higher Education):

Before I discuss the budget I would like to recognize a process that is currently ongoing with the Department of Economics at the University of Nevada, Reno (UNR). They are currently reviewing WICHE programs to ensure we are meeting the needs of Nevada residents. It will also determine the economic impact of WICHE programs throughout the State. Their report will be released shortly.

CHAIR RAGGIO:

Please explain what you mean by the program's "economic impact throughout the State."

MR. SPARKS:

The UNR Department of Economics will compare the money provided to WICHE with the impact WICHE participants have made in the local economies where they have been placed. They will also evaluate the statewide economic impact of our program.

CHAIR RAGGIO:

In addition to yourself, who serves on the Commission?

MR. SPARKS:

The Chair is Mr. Karl Schaff. The other members are Nevada State Senator Warren B. Hardy II and Dr. Jane A. Nichols.

E-325 Service At Level Closest To People – Page WICHE-7

We are requesting a half-time program officer position in the Las Vegas area beginning in FY 2009. Our applicant pool is not coming from the Las Vegas area as it should, despite the fact that 75 to 80 percent of our State's population is

in that area. The addition of this position will help increase the applicant pool from the Las Vegas area.

CHAIR RAGGIO:

Did you not have a Volunteers in Service to America (VISTA) employee in Las Vegas?

MR. SPARKS:

The matching program we were utilizing with an outside agency to hire the VISTA employee is no longer available to us. Though this employee did help, it was not the significant difference a program officer would make. We are requesting the program to start in FY 2009 as a half-time position.

CHAIR RAGGIO:

How do you invite applicants to the WICHE program?

MR. SPARKS:

We go to college fairs in Las Vegas and the rural areas. We also speak to a variety of community organizations and hospitals to develop interest in our programs.

CHAIR RAGGIO:

Will the one half-time program officer position be sufficient for your needs? Where will the employee be located?

MR. SPARKS:

Yes, this half-time position will be sufficient. The employee will be located on one of the university campuses in the Las Vegas area.

CHAIR RAGGIO:

Have you considered transferring one of the three positions now located in northern Nevada to the south?

MR. SPARKS:

That would not help us because we are barely meeting the needs of northern Nevada at this time.

CHAIR RAGGIO:

Do you need to include funds for rent space in your budget request?

MR. SPARKS:

No, we do not.

CHAIR RAGGIO:

Would this be a supervisory position?

MR. SPARKS:

This would not be a supervisory position and would operate under the supervision of a program officer in our Reno office.

CHAIR RAGGIO:

Will that reduce the need for in-state travel?

MR. SPARKS:

It could potentially reduce the need for in-state travel in FY 2009.

E-805 Classified Position Reclassifications – Page WICHE-8

We are requesting the reclassification of two employees to better meet the duties of their positions. We are requesting a program officer I to be reclassified as a program officer II because that position is no longer under my direct supervision. This employee would have responsibility for all programs WICHE administers. This will allow me go into the community more often to promote our programs. We also request our accounting assistant III be reclassified as an accountant technician I. Currently, this employee's responsibilities are that of a technical accountant rather than an accounting assistant.

CHAIR RAGGIO:

Have any of these reclassifications been approved by the Department of Personnel?

MR. SPARKS:

The Department of Personnel is currently reviewing the reclassifications; but they have not yet been approved.

CHAIR RAGGIO:

Please explain the onetime General Fund appropriation of \$67,900 for technology system upgrades in your Base Budget.

MR. SPARKS:

We are considering contracting with an agency called Education Computer Services, Inc. (ECSI) for loan management. This agency is used by the Nevada System of Higher Education (NSHE) as well as by California's state system of higher education for loan management.

CHAIR RAGGIO:

How much would this cost each year?

MR. SPARKS:

It would cost \$6,000 a year. We will revert most of the \$67,900 onetime appropriation back to the General Fund.

CHAIR RAGGIO:

What makes ECSI qualified for this task?

MR. SPARKS:

It is currently managing loan programs for NSHE. Their services allow students to access their accounts more readily. Also, ECSI will do all the billing.

CHAIR RAGGIO:

Why has it taken so long to implement this program?

MR. SPARKS:

We wanted to be sure this system would best serve our needs. We have been considering ECSI for some time, and are currently waiting for the company to complete their proposals.

CHAIR RAGGIO:

What is your record in collecting delinquent loans?

MR. SPARKS:

We work with collection agencies to recover funds and have several accounts currently in litigation. These agencies have made a number of successful recoveries for us.

CHAIR RAGGIO:

How much money is still delinquent?

MR. SPARKS:

Approximately \$400,000 is still delinquent.

CHAIR RAGGIO:

That information bothers both Senator Beers and me. We are concerned so many refuse to repay loans after the State has provided them such a wonderful opportunity.

MR. SPARKS:

I agree. The new system will help resolve this problem.

CHAIR RAGGIO:

We will now hear the budget account for WICHE Loan and Stipend.

W.I.C.H.E. Loan & Stipend – Budget Page WICHE-1 (Volume I)
Budget Account 614-2681

E-402 Access To Health Care And Health Insurance – Page WICHE-2

MR. SPARKS:

After studying employment information, we have transferred funds around to different programs that represent a greater need to the residents of Nevada. One area where there is a real need, and where we are planning to direct future funding, is for deaf and hearing-impaired teachers. This will begin in FY 2009 and be offered to students who are working on their academic degrees in educational institutions outside Nevada.

E-400 Access To Health Care And Health Insurance – Page WICHE-2

The second area of need is in the field of dentistry. Federal matching funds have been cut, and we are unable to get the match for the coming biennium. Many areas in the State do not meet the federal definition of an "underserved population," though many of our residents live in areas where the need for dental care is great. We have recommended three dental positions, outside the federal matching loan payment program, for students who graduate from the School of Dentistry at the University of Nevada, Las Vegas. This will help provide the services of qualified and licensed dental professionals to the State's underserved population.

CHAIR RAGGIO:

What is WICHE's affiliation with the Nevada Dental Association (NDA)?

MR. SPARKS:

Because the NDA is having trouble getting dentists to work in some health centers in the Las Vegas area, they asked us to add this to our budget.

CHAIR RAGGIO:

What will be the requirements for those dentists?

MR. SPARKS:

It will be a loan repayment process. For every funding cycle in which we provide students with funds, they must work for two years in an underserved community.

CHAIR RAGGIO:

Does the NDA provide funding for this?

MR. SPARKS:

No, they do not.

CHAIR RAGGIO:

Are you decreasing the dental slots?

MR. SPARKS:

We are decreasing the number of dental slots because we are no longer funding students to attend out-of-state dental schools.

E-403 Access To Health Care And Health Insurance – Page WICHE-3

There is a shortage of dental lab technicians, not only in Nevada but throughout the United States. We plan to add two slots for dental technicians beginning in FY 2009.

E-404 Access To Health Care And Health Insurance – Page WICHE-3

The budget calls for the funding of two slots for clinical laboratory technicians to work in the rural areas beginning in FY 2009.

E-405 Access To Health Care And Health Insurance – Page WICHE-3

We are requesting one additional slot in the federal Mental Health Match program to ensure the Division of Mental Health and Developmental Services has the opportunity to recruit more people to work in rural areas. They have not been able to fill the need in those areas.

CHAIR RAGGIO:

Please explain why you are reducing the veterinary program by one slot in your Base Budget.

MR. SPARKS:

This was an additional slot provided during the last Legislative Session. As a result of subsequent requests for budget cuts by the Governor, we chose to cut that one slot in the upcoming biennium. Though it is an important position, we have more important needs within underserved populations of the State. It was the highest cost of any field with the fewest participants returning to the State of Nevada to practice.

CHAIR RAGGIO:

Please explain the two slots for the teachers of deaf and hearing-impaired students. Also, please describe the physician assistant slot for Fallon.

MR. SPARKS:

Two positions will be established for students to attend out-of-state programs and return to Nevada as teachers of deaf and hearing-impaired students.

The physician assistant slot is a match program with the City of Fallon. We did not request additional funding in our budget for this because we receive half of the cost from Fallon.

SENATOR MATHEWS:

Please explain the loans to the University Medical Center (UMC). Did those go to nurses?

MR. SPARKS:

We were approved to do a match program with UMC in the 2005 Legislative Session. Due to subsequent changes in policy at UMC, they declined to give us the matching funds. Despite this, we still provided the state-only share funds to students who went to institutions other than UMC for their training.

SENATOR MATHEWS:

I see you provide funds for baccalaureate, master's and doctorate programs; do you also provide funding for Associate Degrees (AD) in nursing?

MR. SPARKS:

Yes, we fund several students in this program at the community college level.

SENATOR MATHEWS:

Your budget is unclear about this. I recommend you specifically mention supporting an AD as well. This is important because, given the need in this field; the AD might be the quickest way to achieve your goal.

MR. SPARKS:

I agree with you and will correct that language.

SENATOR RHOADS:

How does the one slot recommended for elimination in the veterinary medicine program affect the Governor's "Two-Times Rule?"

MR. SPARKS:

When we originally built this budget, all of the slots in the veterinary medicine program were part of the "Two-Times Rule;" that is, we could only request up to two times the amount of our General Fund appropriation in the base year. To stay within the guidelines of the "Two-Times Rule," we requested the same General Fund amount for each fiscal year of the 2007-2009 biennium as we received in FY 2006 with fee increases approved by Regional WICHE. At the end of that process, we were confronted with the need for budget reductions and chose to eliminate the fifth veterinary medicine slot.

SENATOR RHOADS:

What is the average number of qualified applicants for the four remaining veterinary medicine slots?

MR. SPARKS:

We receive between ten and fifteen applicants.

SENATOR CEGAVSKE:

It seems you have too many slots for the dentistry program. Can we get more slots for teachers to train nurses?

MR. SPARKS:

We chose not to include them in our current budget request since we have requested slots for teachers to train nurses in the last two Legislative Sessions and have never had them approved. However, those participants pursuing master's and doctorate degrees are required to work as teachers in the university system as a condition of receiving their loans. In that respect, they are training some nurses.

SENATOR CEGAVSKE:

I ask you continue to request such teaching slots in your future budget requests.

Do you work with the Touro University International (TUI)? Are there partnerships that could be pursued with them?

MR. SPARKS:

We have not worked with them because we are working with NSHE. However, students can take advantage of our loan repayment program even if they attend TUI.

SENATOR CEGAVSKE:

Mr. Chair, can we request a nurses' teaching slot be added to this budget?

CHAIR RAGGIO:

We can address that issue when we consider the budget at a later time.

SENATOR MATHEWS:

A master's degree program could also be an advanced practice nursing (APN) degree and there is no teaching requirement for an APN.

MR. SPARKS:

Neither is a student required to teach to receive a master's degree; however, if you pursue a master's degree using WICHE funds, you are required to teach.

SENATOR MATHEWS:

I will follow up on that.

CHAIR RAGGIO:

In your administrative budget, you requested funds for out-of-state travel for two persons to attend training at the WICHE Regional Office. Is this a requirement?

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MR. SPARKS:

It is not required by the WICHE Regional Office; rather, they have requested the attendance of these two employees. I will provide a written request to your Fiscal staff explaining the need for this.

CHAIR RAGGIO:

Please provide us with a full report on collection of delinquent loan payments.

There being no further business or public comment before this Committee, we are adjourned at 10:26 a.m.

RESPECTFULLY SUBMITTED:

Michael Archer,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____