

MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS

Seventy-Fifth Session  
February 20, 2009

The Committee on Ways and Means was called to order by Vice Chair Leslie at 8:04 a.m. on Friday, February 20, 2009, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/75th2009/committees/](http://www.leg.state.nv.us/75th2009/committees/). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Sheila Leslie, Vice Chair  
Assemblywoman Barbara E. Buckley  
Assemblyman Marcus Conklin  
Assemblyman Mo Denis  
Assemblywoman Heidi S. Gansert  
Assemblyman Pete Goicoechea  
Assemblyman Tom Grady  
Assemblyman Joseph (Joe) P. Hardy  
Assemblyman Joseph M. Hogan  
Assemblywoman Ellen Koivisto  
Assemblywoman Kathy McClain  
Assemblyman John Ocegüera  
Assemblywoman Debbie Smith

**COMMITTEE MEMBERS EXCUSED:**

Assemblyman Morse Arberry Jr., Chair

**STAFF MEMBERS PRESENT:**

Mark Stevens, Assembly Fiscal Analyst  
Steve Abba, Principal Deputy Fiscal Analyst  
Tracy Raxter, Principal Deputy Fiscal Analyst  
Brian Burke, Principal Deputy Fiscal Analyst  
Alex Haartz, Program Analyst  
Carol Thomsen, Committee Secretary  
Vickie Kieffer, Committee Assistant

Vice Chair Leslie indicated that the Committee would hear the budget presentation for the Agency for Nuclear Projects. She welcomed former U.S. Senator Richard H. Bryan, Chairman of the Commission on Nuclear Projects, who was present in Las Vegas and would provide testimony via videoconference.

**HIGH LEVEL NUCLEAR WASTE – BA 101-1005**  
**BUDGET PAGE ELECTED-13**

Bruce Breslow, Executive Director, Agency for Nuclear Projects, introduced himself to the Committee. Mr. Breslow explained that he had been appointed as the Executive Director of the Agency for Nuclear Projects (Agency) four weeks ago and had attempted to familiarize himself with events as quickly as possible. He reported that the Agency had been very busy working with the Attorney General's (AG's) Office on litigation issues.

Mr. Breslow advised that the Committee had been presented with [Exhibit C](#), "Report and Recommendations of the Nevada Commission on Nuclear Projects, January 2009;" [Exhibit D](#), "Report to the Nevada Legislature's Committee on High-Level Radioactive Waste, July 1 2008 – December 31, 2009;" and [Exhibit E](#), "State of Nevada Technical Consultants."

Mr. Breslow explained that the Agency would participate in a joint hearing via telephone on March 12, 2009, with the U.S. Nuclear Regulatory Commission (NRC) and the U.S. Department of Energy (DOE). That joint hearing would set the stage and provide the parameters for a set of three hearings before three separate panels of federal judges. Those hearings were currently scheduled for March 31, 2009, April 1, 2009, and April 2, 2009, in Las Vegas. Mr. Breslow understood that those hearings would consist of oral arguments to hear the contentions brought forth by the State of Nevada, by Clark County, by all other affected entities of local government in Nevada, and by the State of California.

According to Mr. Breslow, in mid-May 2009, the Agency expected to receive a ruling regarding the number of contentions the panels of judges would allow to be litigated during the application hearing, which would consist of an administrative hearing. He stated that per federal regulations, litigation was slated for a time period of three years, with an option for a fourth year, before any final decision was made by the NRC regarding the DOE's request to open Yucca Mountain as a permanent waste storage facility.

Mr. Breslow indicated that the DOE had filed a 19-volume application pertaining to Yucca Mountain. He reported that attorneys for the State of Nevada and various experts responded with an 1,800-page, 3-volume response. Mr. Breslow reported that the Agency had been told on numerous occasions in the past to wait to ask or answer questions until the time of the hearing. However, said Mr. Breslow, the response from the DOE indicated that none of the State of Nevada's contentions should be heard, and the state's attorneys were compiling a response to the DOE. He told the Committee that the process had finally reached the point where the State of Nevada would have a voice and have the opportunity to present the scientific data regarding the issues of public safety, health, and transportation.

Vice Chair Leslie commented that 229 contentions had been filed by Nevada. Mr. Breslow stated that was correct. Vice Chair Leslie asked whether the three panels of federal judges would decide which contentions would be litigated. Mr. Breslow replied that the panels could rule in favor of the DOE's

objection that the contentions brought forth by Nevada were not valid, the judges could determine to hear all 229 contentions, or the judges could determine that some or none of the contentions would be heard. Mr. Breslow said the fact that the NRC had assigned three panels of federal judges gave the Agency hope that the panels would give Nevada a "fair shake" and review some of the critical issues.

Vice Chair Leslie said the key budget question was whether the Agency would have the resources necessary to address the contentions. Mr. Breslow said that the Agency understood the budget challenges facing the Legislature, and he could not stipulate that his budget was more important than any other agency budget. However, he said that it was a very critical time for the Agency and after a 24-year-fight, the Agency would finally be presented with the opportunity to participate in a legal hearing. Mr. Breslow said the Agency would like to enter into the hearings armed "with everything available to it."

Mr. Breslow explained that The Executive Budget proposed funding cuts for the Agency, as it had for many other agencies. The proposal was to reduce the General Fund allocation from approximately \$2.4 million to \$1.4 million. Mr. Breslow said The Executive Budget also recommended a reduction of staff from seven positions to two positions—himself and an executive assistant.

According to Mr. Breslow, on February 2, 2009, he made a presentation to the Governor's Office regarding an alternative plan to restructure the Agency's staff and retain key personnel. The plan included hiring back an employee who was about to retire on a contractual basis, which would reduce the employee's salary by half of what he was currently being paid. Mr. Breslow reported that the Governor's Office indicated it would review that plan after completion of the audit, which had been ongoing for the past six months.

Vice Chair Leslie advised that the Agency was not being audited by the Legislative Counsel Bureau (LCB) Audit Division, but rather the audit was being conducted by the Department of Administration, Division of Internal Audits. Mr. Breslow concurred and believed the audit should be completed within the first two weeks of March 2009. The Agency would then submit its response to the audit within the same week. According to Mr. Breslow, at that time the Governor's Office would review his alternative plan to retain key personnel within the Agency. Mr. Breslow remarked that most employees had been with the Agency for at least 24 years and retained the institutional knowledge of the Agency.

Vice Chair Leslie opined that the Agency's budget had not only been cut, it had been decimated by the recommendation to reduce staff from seven positions to two positions, with those two positions consisting of the new Director and one assistant. Vice Chair Leslie commended Mr. Breslow for his efforts to come up to speed regarding the mission of the Agency. However, she believed that cutting staff to the level of one inexperienced new administrator and one executive assistant, thereby eliminating the technical planning director and the expertise of other Agency employees, made it appear that Nevada was giving up the fight against Yucca Mountain. Vice Chair Leslie indicated that the Committee could not wait until mid-March to determine the level of funding that would be required by the Agency, and she wondered why the audit could not be completed more quickly.

Vice Chair Leslie understood that Mr. Breslow's plan included hiring back a retiring employee on a contract basis.

Mr. Breslow reported that the Agency currently included five full-time equivalent (FTE) positions, but the planning director, Joseph Strolin, would be retiring shortly. He stated that his proposal to the Governor's Office was to retain the remaining four Agency positions and rehire Mr. Strolin to work on a part-time, contractual basis.

Vice Chair Leslie said that at a time when Nevada was facing the most important hearing to date regarding Yucca Mountain, she could not understand why The Executive Budget proposed such a drastic reduction in staff for the Agency. She believed that would send the wrong message and would place Mr. Breslow in a very precarious position, having served as the Executive Director for such a short period of time. Vice Chair Leslie asked Mr. Clinger to advise the Committee regarding the status of the audit.

Andrew Clinger, Director, Department of Administration, confirmed that Mr. Breslow had presented an alternative staffing plan to the Governor's Office that would include adding back staff members. The Governor's Office wanted to wait until the audit was completed before considering that plan, as the audit would address the scope of the work included within the Agency for Nuclear Projects. Mr. Clinger said the audit was tasked with studying the staffing level and performance of the Agency and whether the staffing level was adequate or whether reductions could be made.

Mr. Clinger reiterated that adding back staff in the budget for the Agency would not be considered by the Governor's Office until after the audit had been completed. He believed that the audit was completed to the point where a recommendation could be made within the next two weeks.

Vice Chair Leslie said that if the intent was not to completely decimate the Agency, the audit should have been completed prior to the recommendation to cut positions. Mr. Clinger said it was simply a matter of timing. The audit was ongoing when The Executive Budget was constructed, and there were no preliminary indications regarding the outcome of the audit.

Vice Chair Leslie asked whether the Division of Internal Audits could accelerate the audit process for the Agency so that the Committee could determine the appropriate staffing and funding levels. She asked whether there was a possibility that the Committee could receive the audit information by March 1, 2009. Mr. Clinger believed that would be possible.

Vice Chair Leslie asked Mr. Breslow to estimate the time frame for the litigation hearings. Mr. Breslow said that litigation could continue for a period of three years, with an option for the NRC to request a fourth year. He explained that litigation was a long, comprehensive process, but the length and cost of the process would be dependent upon how many contentions from the State of Nevada, affected units of local government, and the State of California were allowed by the three panels of judges.

Vice Chair Leslie asked how the budget cuts for the Agency related to the cuts in the Attorney General's budget for litigation. She thought that the federal funding was used by the Agency to contract out the studies necessary to prepare for the litigation hearings.

Mr. Breslow explained that federal funds received by the Agency were part of the 2008 Omnibus Spending Bill from the DOE. The Agency was slated to receive approximately \$5 million during the current fiscal year. Mr. Breslow stated that the Agency did not know about federal funding in the upcoming

biennium because the President's budget for Yucca Mountain might be much lower. Mr. Breslow opined that there would be a significant amount of lobbying in Washington D.C. to retain a source of funding for the affected local government entities.

Mr. Breslow referenced the response from Catherine Cortez Masto, Nevada's Attorney General (AG), to questions from the Legislative Counsel Bureau (LCB), which discussed the projected costs for the legal fight pertaining to Yucca Mountain. Vice Chair Leslie indicated that the Committee was not in receipt of that document. Mr. Breslow reported that the AG's response indicated that if the panel of judges admitted less than 90 contentions, the estimated two-year budget would be \$11.7 million to \$13.3 million just for the legal bills.

Vice Chair Leslie asked where that amount would be listed within The Executive Budget. Mr. Breslow said that amount would be realized from federal funds, provided sufficient funding was available. Vice Chair Leslie again asked where the amount was currently listed in The Executive Budget, and Mr. Breslow replied that the amount was currently included in the Agency's budget, which predicted a \$4.9 million federal allocation. Mr. Breslow stated that the federal funding would then be transferred to the budget for the AG's Office to address the projected legal costs. He pointed out that future federal funding allocations would be directly deposited into the budget for the AG's Office rather than the Agency's budget.

Vice Chair Leslie said that was the understanding of the Committee, and she asked how the Agency would pay for the individual experts who had been conducting contract work for the Agency in the past. Mr. Breslow replied that funding for some expert contractors would be moved to the budget for the AG's Office. He stated that the Agency had a few expert contractors still under contract.

Vice Chair Leslie said it appeared that the Agency and the AG's Office were both requesting funds from the "same pot of money," and she asked for clarification. Mr. Breslow explained that funding for the contractors had been transferred to the budget for the AG's Office and would be paid from the federal funding source.

Vice Chair Leslie asked whether the state was using less outside contractors at the current time. Mr. Breslow stated that the number of contractors had not declined, but payment to some contractors had been moved from General Fund allocations into the pot of federal funding. He explained that because the application hearing had been scheduled, the Agency was allowed to take such action. Mr. Breslow said that would free-up a portion of the General Fund dollars, but it would also add costs to federal funding. Typically, federal funding would not cover the total amount projected of approximately \$11 million to \$20 million over the next two years. Mr. Breslow said the state hoped to receive \$10 million in federal funding over the upcoming biennium to address the legal bills.

Vice Chair Leslie asked what would occur if the state did not receive the federal funding. Mr. Breslow stated that the Agency and the AG's Office had been working together. He explained that, historically, when federal funding was short or did not arrive on time, the Agency used General Fund dollars to supplement the federal funding. Over the past biennium, the Agency used about \$1.2 million in General Fund dollars to supplement the costs of the legal

battle. Most of that funding was used for payment to attorneys in the second year of the biennium.

According to Mr. Breslow, that was one of the problems with shrinking the Agency's budget from \$2.4 million to \$1.4 million; staff could be retained and the Agency could do the work, but there would be no additional funds to add for payment of the legal bills, should those bills exceed the annual \$5 million federal allocation.

Vice Chair Leslie asked Mr. Breslow to share the alternate staffing plan that he submitted to the Governor with the Committee. She noted that the Legislature had no desire to interfere with the Agency, the audit process, or the Governor's Office. However, because of time constraints, the Legislature wanted to ensure that the state was not giving up at the point of winning its case against Yucca Mountain, particularly at a time when the state was headed into litigation of the various contentions and the application hearing. Vice Chair Leslie said the Committee wanted to ensure that the Agency had the necessary tools to continue the state's fight against Yucca Mountain. She noted that the budget proposed to eliminate the Agency's expert staff at a time when it was most needed, and she could not understand the proposal in The Executive Budget.

Mr. Breslow said that he had been told the action was based strictly on budget cuts, similar to those for other agencies. He stated that he was in a difficult political position because he had been appointed by the Governor, reported to the Chairman of the Commission on Nuclear Projects, and now it appeared that the Legislature wanted to return funding to the Agency during a time of fiscal crisis. His statement was that he had "the best of all worlds" working to try and resolve the predicament of the Agency.

Mr. Breslow advised that the alternate staffing proposal he submitted to the Governor's Office was to retain the current five positions and rehire Mr. Strolin on a part-time contractual basis after his retirement. The proposal also recommended the elimination of two vacant positions. Mr. Breslow stated that the Agency had experienced some fiscal issues in the past, which would undoubtedly be addressed by the ongoing audit. The Department of Administration was now performing the accounting services for the Agency, and Mr. Breslow was quite happy with that arrangement. He said that was the reason the two accounting positions were no longer needed by the Agency.

Vice Chair Leslie asked whether a bill draft request (BDR) would be submitted to change the status of the Agency positions, and whether the salaries would be established through the BDR.

Andrew Clinger, Director, Department of Administration and Budget Division, informed the Committee that the intent was to convert the positions from nonclassified to unclassified. He was unsure of the necessity of a BDR. Vice Chair Leslie noted that *Nevada Revised Statutes* (NRS) 223.085 indicated that the Governor determined the salary levels for staff in the Agency for Nuclear Projects.

Vice Chair Leslie asked whether the Department of Administration had reviewed the salary levels of Agency staff and made a determination about placement of those positions within the unclassified salary tiers. Mr. Clinger believed that the salary level was recommended in The Executive Budget, but he was not sure about the salary tier. He indicated that the salary recommended by the Governor would be the level of the positions within the Unclassified Pay Bill.

Vice Chair Leslie asked Mr. Breslow to provide the Committee with a copy of his written alternative staffing plan. Mr. Breslow said he would need to check on the legality of such action because the proposal had been submitted to the Governor's Office, and he was unsure about providing copies to the Committee. Vice Chair Leslie said that the Committee understood.

Mr. Breslow advised the Committee that he would continually update members through the email process as more information was made available regarding the upcoming federal hearings and oral arguments. Vice Chair Leslie said that would be appreciated. She asked whether Mr. Breslow had seen the article in today's *Las Vegas Sun* about Yucca Mountain. Mr. Breslow remarked that the new Energy Secretary commented one day that the licensing process would be ongoing, and the next day he apologized for that statement. Then, the Energy Secretary was asked to clarify the situation and once again said the same thing and again apologized.

Mr. Breslow believed that there was some confusion surrounding the issue, but President Obama was quite clear that Yucca Mountain would not open, whether or not the licensing process continued. There were many lawsuits that could be launched on the federal level because the Nuclear Waste Policy Act specifically stated that there "must be" a permanent repository for the accumulated nuclear waste. Mr. Breslow said that funding of approximately \$22 billion had been accumulated at the federal level, and use of that funding was restricted to construction of the repository at Yucca Mountain. He opined that the current Administration would have to review the best way to shut down the project and deal with the lawsuits.

Vice Chair Leslie opined that was another reason not to send the message that Nevada was not clear on its position regarding Yucca Mountain, particularly at a time when Nevada's citizens were being told that the site would be safe, and that the federal government would negotiate with the state about future funding.

Mr. Breslow stated that because he was new on the job, he wanted to make sure he understood the position from both sides. Therefore, he met with representatives from the DOE, the Nuclear Energy Institute (NEI), Assemblyman Ty Cobb, and many other persons, and repeatedly asked about the federal source of funding that Nevada was being told would be available. Mr. Breslow said that everyone kept telling him that the funding was available, but in reality, there would be no federal funding offered to the state should Yucca Mountain be approved.

According to Mr. Breslow, the only way Nevada could ever negotiate, which would drastically damage its role in pending lawsuits, would be to actually approach Congress during each session and request funding because Nevada was being "harmed" by the repository. Mr. Breslow pointed out that congressional delegations from other states would likely oppose funding for Nevada, and it would amount to an annual fight for Nevada to secure any federal funding.

Mr. Breslow said it made good reading to tell Nevadans that the state could have super highways and bullet trains because of federal funding for the repository, but it was actually a mythical folktale. He was aware that there were some very brilliant people who believed that funding would be possible. However, said Mr. Breslow, he had researched the issue and there would be no funding forthcoming from the federal government because Nevada was the site of the nuclear repository. Mr. Breslow pointed out that for the past 25 years no

other state had stepped forward and stated that because of tough economic times, it wanted to be the state where the repository was located.

Mr. Breslow indicated that he had recently spoken to the chief of staff for Governor Bill Richardson of New Mexico because the NEI was spreading rumors that New Mexico wanted to be the site for the nuclear reprocessing facilities. According to Mr. Breslow, the chief of staff reported that there was a small area of the state that would agree to be the site, but overall the state did not want to be the site of nuclear reprocessing facilities. He noted that states along the eastern seaboard that contributed much of the waste also did not want to be the site of the repository.

Vice Chair Leslie noted that there were many transportation issues that had not yet been resolved. She agreed that if being the site of the repository was such a great opportunity, there would be a bidding war among the states, particularly during the current economic times.

Assemblywoman Koivisto commented that even though New Mexico had been the recipient of some nuclear waste, the state had received little or no federal funding compensation.

Assemblywoman Gansert thanked Mr. Breslow for his efforts in researching the situation, and she opined that it was refreshing to have him in the position to renew the fight, and she hoped the Legislature would provide the necessary support.

Vice Chair Leslie commented that Mr. Breslow was a good communicator, and she believed that was what the state needed to send a very clear message. However, she was still concerned that Mr. Breslow lacked the technical expertise that was needed to put the Yucca Mountain repository to rest once and for all.

Vice Chair Leslie asked Mr. Breslow to work with the Budget Division and provide written information pertaining to the actual costs and budgeted costs for staff, legal costs, and expert contract work for FY 2008 and FY 2009. She noted that there was some confusion about possible overexpenditures, along with underexpenditures in the area of contract work. Vice Chair Leslie asked for a recap of figures in those areas.

Vice Chair Leslie stated that the Committee would also like written information pertaining to the expenditures by the AG's Office to address legal and litigation issues. Vice Chair Leslie asked that the information also include projected costs for staff, legal costs, and costs for expert contractors for FY 2010 and FY 2011. She asked that the information include the figures in The Executive Budget and the figures that the Agency believed it would need to continue the legal battle. Vice Chair Leslie stated that the information was necessary so that the Committee could make an informed budget decision. She asked that the information be provided by March 1, 2009.

Mr. Clinger advised the Committee that he would assist the Agency in compiling the requested information.

Vice Chair Leslie asked that the information include the budgeted costs for the AG's Office for legal issues pertaining to Yucca Mountain for the upcoming biennium and the "best guess" of the actual costs.



Mr. Breslow indicated that the AG's Office had prepared those documents and he would provide the information to the Committee as requested. The major unknown was the number of contentions that would be allowed, and that information would not be available until mid-May 2009. Mr. Breslow pointed out that the range of the cost for litigation was estimated to be somewhere between \$11.7 million and \$20 million. He stated those were the best estimates of the AG's Office and the attorneys for the Agency, which he knew would put the time frame close to the "wire" for the Legislature.

Vice Chair Leslie concurred that the information would be very late for making budget decisions, but the Committee still wanted the information regarding the best estimate and the appropriate recommendations.

Vice Chair Leslie recognized Mr. Richard Bryan, former Governor of Nevada, former U.S. Senator from Nevada, and current Chairman of the Commission on Nuclear Projects.

Mr. Bryan thanked the Committee for the opportunity to provide testimony. He prefaced his observation by complementing Bruce Breslow as the new Executive Director of the Agency for Nuclear Projects. As the Committee was aware, said Mr. Bryan, there was a long history involving the Yucca Mountain project and Mr. Breslow had devoted himself to trying to get caught up as much as possible in a very short period of time. As the Chairman of the Commission, Mr. Bryan said he was extremely pleased with what Mr. Breslow had been able to accomplish to date.

Mr. Bryan said that although he heard "the echoing refrain of taps" in the background, the Commission had not yet been able to celebrate the "last rites" of the Yucca Mountain project. As previously pointed out by the Committee in its colloquy with Mr. Breslow, there were those in Nevada and around the country that Mr. Bryan respectfully disagreed with and believed were misguided, that were continuing the fight against Nevada. Those persons were recycling some of the same arguments that had been heard years ago, that at the end of the nuclear rainbow was a pot of gold. Mr. Bryan believed that Mr. Breslow had very effectively addressed that issue.

As Nevada's Governor in 1983, Mr. Bryan stated he believed then and continued to believe today, as the Chairman of the Commission on Nuclear Projects, that a high level nuclear waste repository was not in the best interest of the State of Nevada. Moreover, Mr. Bryan believed that there were serious health and safety issues, and that it would be morally reprehensible to compromise the health and safety of future generations of Nevadans by accepting a project that he viewed as highly dangerous.

Mr. Bryan said that he was a product of the past, and as a youngster growing up in Las Vegas, he recalled the first nuclear test in 1951 at the Nevada Test Site. Astonishing as it might seem to people today, a nuclear bomb was dropped from an airplane approximately 60 miles from Las Vegas. Mr. Bryan said that Nevadans were naïve in terms of the implications that portended for the state. Mr. Bryan stated that everyone was aware that atomic bombs had ended the campaign in the Pacific in World War II at Hiroshima and Nagasaki, and at that time there were some almost rhapsodic expectations that somehow nuclear power would change the world.

Mr. Bryan said as a youngster he recalled a *Weekly Reader* that suggested every home would one day have some type of nuclear reactor and the cost of power would be too cheap to meter. He indicated that people in the Las Vegas area

embraced that concept and were enthusiastic about nuclear energy. Mr. Bryan commented that many community business enterprises actually used the word "atomic" in their names. He commented that as a sophomore at Las Vegas High School the yearbook displayed the nuclear mushroom cloud on its cover, and people really believed that nuclear energy was a wonderful thing for the state.

According to Mr. Bryan, the Atomic Energy Commission, which was the predecessor agency to the U.S. Department of Energy, actually produced a film in which it advised persons downwind from nuclear atmospheric tests that when the nuclear cloud came over their homes, they should simply gather the family inside and after the cloud passed they should "wash off the car." When people were told at that time that the testing was safe and there were no potential consequences, people accepted that as the truth.

Mr. Bryan said if he appeared a bit skeptical, which some might even consider cynical, when the present generation of scientists stated that the citizens of Nevada had nothing to worry about, it was because he had to reject that thesis.

Mr. Bryan stated he was pleased to hear the colloquy between the Committee and Mr. Breslow that reducing the staff of the Agency for Nuclear Projects from five positions to two positions would be the equivalent of unilateral disarmament and would send the wrong message. Mr. Bryan believed that the opportunity for victory was closer today than it had ever been in the 26 years that he had been involved in the Yucca project. He also believed that the fight was not yet over, and the state needed to continue to provide both Mr. Breslow's office and the AG's Office with the tools necessary to protect Nevada as litigation moved forward.

Mr. Bryan said he would be happy to answer any questions from the Committee regarding his involvement or the involvement of the Commission.

Vice Chair Leslie thanked Mr. Bryan for his testimony and voiced appreciation for his leadership over the past 26 years in dealing with the Yucca Mountain project and his continuing involvement. She asked whether Mr. Bryan or the Commission had been offered the opportunity to provide input when the Governor was redesigning the budget for the Agency for Nuclear Projects.

Mr. Bryan said that neither he nor the Commission had provided input to the Governor when the budget was decided. He explained that during the 24 years of the Commission's existence, it had not been involved in development of the budget for the Agency. In all fairness, he wanted the Committee to understand that the Commission had never been involved in the budget process.

Vice Chair Leslie appreciated that fact, but she believed that a reduction of staff from five employees to two employees, a new executive director and an executive assistant, did not reflect a typical budget for the Agency.

Mr. Bryan believed that retention of Agency staff was particularly critical, not only because of the timing of the events that were about to unfold, but because of Mr. Breslow's recent appointment as the Executive Director. He indicated that although Mr. Breslow had done an impressive job, he believed that no individual, irrespective of his or her extraordinary talents and energy, could possibly assimilate the 26-year institutional history of a project such as Yucca Mountain in such a short period of time.

Mr. Bryan stated that was the reason the staff of the Agency, who did have that expertise, were so critical to Nevada's fight. He hoped that the Committee and the Legislature would restore the budget to include the number of staff recommended by Mr. Breslow. Mr. Bryan believed that Mr. Breslow's compromise appeared to be reasonable, as long as there was sufficient funding for the litigation effort. As he understood the previous explanation, the \$5 million in federal funding previously received by the Agency for litigation purposes would be transferred to the AG's Office, which he considered appropriate. Mr. Bryan emphasized that the state needed to ensure that the necessary resources were available to enable the Agency for Nuclear Projects and the AG's Office to adequately represent Nevada.

Vice Chair Leslie thanked Mr. Bryan and stated that the Committee would welcome any additional thoughts from Mr. Bryan and other members of the Commission regarding the budget for the Agency. She explained that during the upcoming weeks, the Committee would attempt to determine the appropriate funding and staffing levels that should be included in the budget.

Mr. Bryan stated that he was not unmindful of the fact that the Legislature was operating under a very difficult fiscal climate, and legislators were facing a situation that no other Legislature had faced. The Commission was not unmindful of the difficult decisions, but the Yucca project would have potential impact for generations of Nevadans yet to come. Mr. Bryan believed that it would be morally irresponsible for Nevada not to do the right thing, not only for today's citizens, but for those who would follow. Mr. Bryan indicated that he had been very pleased with the colloquy that had taken place between the Committee and Mr. Breslow, and he hoped that the Committee would be able to restore the staff positions as requested by Mr. Breslow. Vice Chair Leslie agreed wholeheartedly with Mr. Bryan's comments.

With no further testimony forthcoming regarding BA 1005, High Level Nuclear Waste, Vice Chair Leslie closed the hearing. The next budget for consideration was the Office of the Military.

Mark Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), explained that the hearing for the Office of the Military was one of the remaining budget overview hearings. Therefore, the presentation would not contain as much detail as the other budgets scheduled for review by the Committee. Mr. Stevens stated that after the overview hearing, the budget would be assigned to a subcommittee for detailed review.

**OFFICE OF THE MILITARY – BA 101-3650**  
**BUDGET PAGE MILITARY-1**

Colonel Michael Carlson, Chief of Staff, Nevada Army National Guard, introduced himself to the Committee, and stated he was present to represent Major General Cynthia Kirkland, the Adjutant General of Nevada. Colonel Carlson thanked the Committee for the opportunity to discuss the budget proposal for the Office of the Military for the 2009-2011 biennium.

Colonel Carlson stated that the mission of the Office of the Military, under the authority of Governor Jim Gibbons as Commander-in-Chief, was to enlist, organize, arm, equip, and train the state's National Guard units to defend and protect the lives and property of Nevadans in times of emergency, disorder, or disaster. Colonel Carlson reported that the federal mission of the Office of the Military was to provide soldiers and airmen to respond to national emergencies or war as directed by Congress or the President. He stated

that the Adjutant General provided command and control for the Office of the Military, which consisted of the Army National Guard and the Air National Guard.

Continuing his presentation, Colonel Carlson said the Nevada Army and Air National Guard received a significant portion of operational, custodial, and buildings and grounds maintenance support from the federal government, along with some funding from the state through the federal/state Master Cooperative Agreement (MCA). Colonel Carlson stated that under the terms of the MCA the state provided certain services and support and was allowed to bill the federal government for reimbursement. According to Colonel Carlson, the percentage of reimbursement varied with the type of services provided.

Vice Chair Leslie said that there were some issues that the Committee wanted to discuss in more detail. Colonel Carlson stated that he would be happy to address questions from the Committee.

Vice Chair Leslie asked Colonel Carlson to discuss the budget for Project ChalleNGe. The Committee would like information about the operation of the Project during the 2007-2009 biennium and how it compared to the recommendations for the 2009-2011 biennium.

Colonel Carlson stated that the National Guard attempted to establish its own stand-alone program in Nevada; however, funding for the Project was eliminated because of budget cuts. He indicated that the proposal in the current budget was for funding to establish the Project through the academy in the State of California.

Vice Chair Leslie said that the Committee understood that the funding for the Project had been eliminated because of budget cuts. She noted that in the 2005-07 biennium, the National Guard sent youth to the academy in Arizona, and the current request was for even more funding to send youth to the California academy. Vice Chair Leslie asked about the difference in the programs, the number of youth who would be served by the program, and why the program was changed from the Arizona academy to the California academy.

Colonel Carlson indicated that during prior years the National Guard sent 24 students per year to the academy in Arizona. He explained that the academy in California presented more opportunities for youth, and it was the intent of the National Guard to send 50 students per class to the California academy for a total of 100 students per year.

Vice Chair Leslie asked whether there was sufficient demand for that number of students. Colonel Carlson replied in the affirmative. Vice Chair Leslie asked why the funding increased in the second year of the biennium. Colonel Carlson replied that during the first year of the biennium there would be no classes, and the National Guard would not send students to the California academy until January 2010. In addition, he stated that the National Guard would hire a program recruiter to help recruit students for future classes.

Vice Chair Leslie asked about the number of students who had attended classes over the current biennium. Colonel Carlson explained that the last class of students was sent to the academy in Arizona in July 2007. He indicated that a total of 24 students had been sent to the Arizona academy at that time. Vice Chair Leslie asked whether there had been any program participation since July 2007, and Colonel Carlson stated that he would defer that question to Mr. Celio.

Miles Celio, Administrative Services Officer, Office of the Military, introduced himself to the Committee. In response to Vice Chair Leslie's question, Mr. Celio stated that that National Guard actually sent 12 students to the Arizona academy in 2007, and that was the last class sent to that academy. The National Guard then attempted to recruit students for a Nevada program, but budget cuts eliminated the funding for the program. Mr. Celio said the National Guard believed that 50 students per class at the academy in California, for a total of 100 students per year, would be reasonable and that there would be a demand for those classes. Mr. Celio reiterated that the National Guard had not sent students to classes in either Arizona or California since the latter part of 2007.

Assemblywoman Buckley noted that the budget request would add a program officer position, and she wondered whether there was anyone currently fulfilling the duties of that position. Mr. Celio explained that the current budget contained decision unit Maintenance (M) 160, which would eliminate both recruiter positions previously granted to the National Guard to initiate the in-state program. He said that decision unit M160 removed the funding for the program in total, and decision unit Enhancement (E) 325 would add back one recruiter position for the satellite program in California. Mr. Celio explained that was the reason it appeared to be a request for a new position. According to Mr. Celio, because of the funding reduction in the 2007-09 biennium, the two recruiters would soon be laid-off, and the request for fiscal year (FY) 2010 was to rehire one recruiter.

Assemblywoman Buckley asked how critical it would be for the program if the Committee did not approve the request for one recruiter position based on the current state of the economy. Mr. Celio stated that the National Guard would simply have to eliminate the program. He explained that the National Guard could no longer recruit students into the program after February 20, 2009. If decision unit E325 was not approved, Mr. Celio stated that the National Guard would not have a Project ChalleNGe program in the 2009-2011 biennium.

Vice Chair Leslie believed that Project ChalleNGe was a good program and that the Committee was not against the program. However, it appeared that the budget for the Office of the Military was one of the few agency budgets that contained enhancements rather than cuts. While it was a valuable program, Vice Chair Leslie opined that it was difficult to justify enhancements in light of the budget cuts that were facing most agencies.

Vice Chair Leslie asked Mr. Celio to chart the history of the program so that Committee members could review the statistics, including dates, and the outcome for students sent to the academy in Arizona. She asked that the information also delineate the cost per student to attend the academies in Arizona and California. Vice Chair Leslie wondered what advantage there was in sending students to the academy in California versus the academy in Arizona and whether it was based on cost or whether California offered a better program.

Colonel Carlson stated that the academy in California offered a better program and had the ability to provide students with a GED and, in some cases, a high school diploma.

Assemblywoman Gansert asked whether the students were high school age, and whether Project ChalleNGe offered an alternative to those students.

Colonel Carlson replied that the students were classified as at-risk and were on the precipice of involvement in the juvenile justice system.

Assemblywoman Gansert said her thought was that the students would normally be attending Nevada's high schools and receiving basic support, and perhaps there could be a trade-off of funding between the high school support and the cost per student to attend classes through Project ChalleNGe. Assemblywoman Gansert explained that if the cost to provide support to one high school student was \$5,000 per year, and if 100 high-school-age students attended the academy in California, that would equate to \$500,000 support per school year that possibly could be utilized for students attending the academy.

Vice Chair Leslie understood that the students who would participate in Project ChalleNGe were prone to dropping out of school and were at-risk students. Colonel Carlson agreed. Vice Chair Leslie opined that those students probably were not participating in high school.

Assemblywoman Smith asked what happened to the students enrolled in the academy in Arizona when the budget for the program was cut. Mr. Celio replied that the last class of students graduated from the Arizona academy's six-month residential program at the end of 2007, and no new students were sent to the academy after that time.

Assemblywoman Smith asked whether the California program was also for a period of six months. Mr. Celio explained that both the Arizona and California programs worked the same and included a six-month residential program for students at the academy. After students returned to their home community, there was a 12-month mentorship program where students were mentored by a clergyman or another person in the community. Mr. Celio indicated that the complete program was approximately 18 months in duration.

Assemblyman Denis asked whether there were statistics or information available about the progress of students who had completed the program. Mr. Celio stated that during past legislative sessions, a number of students had testified as to the success of the program. Assemblyman Denis acknowledged that he had spoken to a few students, but he wondered whether the National Guard maintained written information or statistics about the students and the success of the program. Mr. Celio stated that some records were maintained that contained such information as how many students completed the program and whether those students had participated in further educational pursuits. Assemblyman Denis asked that the written information be provided to the Committee, and Mr. Celio stated he would provide the requested information.

Assemblywoman Gansert said she would also like to review the information. She opined that in the long run the program could create a significant savings for the state, because the students who entered the program would most likely not require the services of the juvenile justice system and would lead productive lives.

With no other questions from the Committee regarding Project ChalleNGe, Vice Chair Leslie requested information about the creation of a new Carlin Armory.

Colonel Carlson stated that decision unit E900 proposed the transfer of the operation and maintenance budget for the University of Nevada, Reno (UNR), Fire Science Academy (FSA), to the Office of the Military. He noted that the funds had previously been included in BA 2980 (UNR). Colonel Carlson started

that the projected amounts totaled zero dollars in FY 2010 and \$456,242 in FY 2011 and included the costs for personnel, operating expenses, utilities, and building maintenance.

According to Colonel Carlson, there was some question regarding the actual amount required for the FY 2011 budget. He indicated that the Office of the Military was attempting to resolve the discrepancy between the previous information and the current figures obtained from UNR. It appeared that the amount needed would be closer to \$750,000, with approximately \$25,000 of that amount qualified for federal reimbursement.

Vice Chair Leslie asked about the planning process involved in the Carlin Armory. She also wondered about the National Guard's original plan to establish a new National Guard Readiness Center in Elko.

Colonel Carlson said the Carlin Armory was proposed by the Governor's Office, and he would defer questions about the Armory to that Office. Vice Chair Leslie wondered whether the Office of the Military had prior knowledge of the proposal to establish the Armory in Carlin and co-locate with the FSA.

Vice Chair Leslie pointed out that the Office of the Military was well into the planning stages for the Readiness Center in Elko, and the project was listed with the Public Works Board as a capital improvement project. Colonel Carlson stated that was correct.

Vice Chair Leslie asked whether it was advantageous to the National Guard to be located in Carlin or would the preference be to establish the new facility in Elko. She stated that the Committee needed honest answers about what would work best for the National Guard.

Colonel Carlson said there were advantages to both locations, and Vice Chair Leslie asked for information about the advantages. She pointed out that the National Guard's transportation unit would have significant fuel supplies on site at the Carlin Armory, and she asked whether there were concerns about conducting fire training exercises near a fuel storage facility.

Colonel Carlson stated that was of concern to the National Guard. The mission of the unit in Elko was to transport fuel, and there would be approximately 10 to 15 trailers and tractors stationed at the Carlin Armory. Colonel Carlson stated that those vehicles would not contain fuel; however, there would be fumes and vapors associated with previous storage.

Vice Chair Leslie asked whether UNR planned to continue fire training exercises associated with the Fire Science Academy (FSA) at the Carlin location. The Committee needed to understand how the National Guard unit would fit with the FSA at the same location. She asked whether it made sense to locate the National Guard unit in Carlin rather than Elko.

Colonel Carlson replied that relocating to Carlin would prove challenging to the National Guard unit. One advantage of the facility in Elko was that the location provided access to the airfield, which was critical to the location of the National Guard unit. Colonel Carlson said that quite often during fire season the National Guard unit was utilized to stage aircraft that were participating in fire fighting in the Elko area. The proposed Readiness Center in Elko would have been used for that purpose.

Vice Chair Leslie asked about an airfield in Carlin, and Colonel Carlson stated that there was no airfield in Carlin. Vice Chair Leslie said that would definitely be a disadvantage for the National Guard at the Carlin location. Colonel Carlson indicated that the Elko location would also provide visibility for the National Guard unit within the community. Because recruiting was a concern of the National Guard, the move to Carlin would require establishment of an additional recruiting office, which would incur a federal debt for the National Guard. Colonel Carlson explained that the proposed location for the Readiness Center in Elko was amenable for the National Guard's mission functions and daily operations. According to Colonel Carlson, the isolation of the Carlin location was both an advantage and a disadvantage that the National Guard would have to work to overcome.

Vice Chair Leslie asked Dr. Dickens to come forward and advise the Committee about UNR's plan for the FSA.

Dr. Robert Dickens, Director of Governmental Relations, UNR, commented that the UNR supported the Governor's recommendation. He stated that the UNR was interested in co-locating with the National Guard at the Carlin facility and planned to continue operation of the FSA. Dr. Dickens explained that the FSA supported the Elko economy with approximately 10,000 room nights per year because the first responder's training was offered to persons from all 50 states. Participants were trained in a particularly sophisticated type of firefighting—industrial petrochemical and chemical firefighting, and emergency response.

Dr. Dickens indicated that staff of the Legislative Counsel Bureau (LCB) had toured the facility at Carlin and observed highly skilled firefighters conduct training exercises. The UNR's position was that there would be a significant efficiency gain for the state in taking advantage of the turnkey facility utilized by the fire academy in Carlin for the National Guard.

Dr. Dickens reported that he had also toured the facility with the Adjutant General and her staff, and there was a good deal of enthusiasm about the condition and capability of the existing facility in Carlin. Dr. Dickens acknowledged that the location in Carlin would present geographic challenges to the National Guard because the facility was located 11 miles from the Elko airport. He noted that co-location would offer certain advantages, one of which was that the FSA conducted training exercises during the daytime hours. Dr. Dickens remarked that the facility was so large that there would be room for multiple functions to be conducted at the same time.

Vice Chair Leslie asked whether the UNR was worried about the National Guard unit's function of storing significant fuel supplies on site. Dr. Dickens said that he was not an expert, but his position was that having petrochemical firefighting capability at the same location as fuel storage could be an advantage in exigent circumstances. Dr. Dickens acknowledged that plans to locate the National Guard Readiness Center in Elko had been in the pipeline for quite awhile, and the Governor's recommendation came into the mix rather late in the process. Dr. Dickens indicated that the Board of Regents had been working with the various stakeholder groups and local government entities in Elko, and the Elko County Commission had endorsed the co-location.

Vice Chair Leslie asked whether the co-location had been proposed to aid the UNR with its indebtedness for the FSA facility. Dr. Dickens replied that he was not sure that the proposal would be of that much assistance to the UNR. Vice Chair Leslie asked what advantage would be realized by the UNR with the



proposed co-location. Dr. Dickens reported that the advantage was that the UNR would be able to reduce, but not completely address, the question of the student fee service debt of \$6.50 per credit for the FSA facility.

Vice Chair Leslie asked about operating debt versus bond debt. Dr. Dickens said that Dr. Milton Glick, President, UNR, had consulted with members of the business community about how to address the capital and operating debt, and the recommendation was to split the proceeds and use half for capital debt and half for operating debt. Vice Chair Leslie asked how much the UNR expected to receive based on the proposal, and Dr. Dickens replied that the Governor's recommendation was approximately \$8 million to \$10 million. He said the bonded indebtedness for the FSA facility was originally \$31 million and that had been reduced to approximately \$28 million. Dr. Dickens reported that the UNR would continue to shoulder the responsibility for that debt.

Vice Chair Leslie asked whether student credit fees would continue at approximately the same rate. Dr. Dickens said that UNR's motivation was very simple, and that was to see student fees support the type of activities that directly benefitted the students. Vice Chair Leslie agreed with that motivation, but she did not want to see that happen at the expense of the National Guard.

Assemblyman Grady thought it was deplorable that students paid an additional \$6.50 per credit that was used by the UNR to pay off the bonded indebtedness for the FSA facility. It appeared that the proposed move would shift the maintenance and operational costs of the FSA to the National Guard, thereby relieving UNR of that responsibility, without relieving the students by reducing the price per credit by \$6.50. Dr. Dickens explained that the fact that there was such a funding mechanism to address the bonded indebtedness was the result of legal arbitration.

Vice Chair Leslie asked how soon the UNR would have an idea of how much student fees would be reduced if the Legislature approved the Governor's proposal. Dr. Dickens stated that would be contingent on the processing of the recommendation by the Legislature. Vice Chair Leslie commented that it did not appear Dr. Glick would have an idea of the cost per credit if the recommendation was approved. Vice Chair Leslie stated that the lowering of per credit student fees would have a bearing on her decision about the proposal. Dr. Dickens believed that Dr. Glick should address that question directly. The UNR was committed to splitting the fees between operating and capital expenses.

Vice Chair Leslie stated that the Committee wanted to know how much the proposal would relieve the student cost per credit. On the face of it, the proposal did not offer convincing evidence that it would be an appropriate move for the National Guard.

Dr. Dickens said the question of student fees was complicated and was a decision made by the Board of Regents. The current student fees per credit had been implemented in parallel with other fees throughout the Nevada System of Higher Education. Dr. Dickens could not predict how the Board of Regents would address the lowering of student fees per credit.

Vice Chair Leslie asked Colonel Carlson to provide the Committee with a side-by-side comparison of the advantages and/or disadvantages of both the Elko and Carlin locations for the Armory. She asked for specifics regarding federal funding and the possibility of opening a separate recruiting office. Vice Chair Leslie stated that she wanted to understand the financial implications

because, frankly, if the proposal did not result in lower student fees per credit, she was not convinced it would be a good idea. Colonel Carlson stated that he would provide the requested information.

Assemblyman Goicoechea remarked that he was very familiar with the FSA in Elko. The first challenge facing the National Guard in staging firefighting air tankers would be the travel time and distance from the FSA facility in Carlin to the Elko airport. Assemblyman Goicoechea said the FSA had faced many environmental issues when it was built, one of which was the fact that it was located adjacent to the Humboldt River. He challenged the storage of fuels or empty tankers in the area. Assemblyman Goicoechea also pointed out that the Elko Airport clearly had firefighting capabilities and could handle the air tankers staged by the National Guard. He commented that he failed to see any advantage to locating the National Guard Armory in Carlin, but he could see the advantage for the UNR. Assemblyman Goicoechea indicated that persons in Northeastern Nevada would love to see the FSA remain in operation, but he did not think that should be done "on the back of the National Guard."

Vice Chair Leslie asked Colonel Carlson whether he had any further information to add about the budget for the Office of the Military.

Colonel Carlson said that the National Guard shared the concerns voiced by Assemblyman Goicoechea. The National Guard had determined that the round trip between Carlin and Elko was approximately 60 miles, which also caused concern for the soldiers stationed at the Armory. Colonel Carlson pointed out that there would be a full-time workforce at the armory, which might prove difficult because of the location. Colonel Carlson stated that the environment was also of major concern because the National Guard could not occupy a facility until certain federal criteria were met, and key to that was the completion of an environmental study, along with any required cleanup. He indicated that the budget stated that the National Guard would assume part of the cost of acquiring the facility from the recent federal appropriation of \$11.4 million. Colonel Carlson explained that the National Guard could not use federal funding to acquire land, and funding for the facility would have to come from another source.

Vice Chair Leslie thanked Colonel Carlson for his comments and indicated that was the type of information that the Committee needed, such as the pros and cons of the move. Colonel Carlson said that he would provide that information to the Committee.

Vice Chair Leslie indicated that the budget for the Office of the Military would be considered by a joint subcommittee, which would review the issues in more detail. The information from Colonel Carlson would be very helpful for subcommittee members prior to making a decision on the budget.

Vice Chair Leslie asked whether there was further information to come before the Committee regarding the budget for the Office of the Military.

Mr. Celio stated that he would like to address BA 3655, which was a new budget account to manage and operate the Emergency Operations Center Complex on the National Guard compound in Carson City. Over the past biennium, the operation of that Center was under the operating budget for the Office of the Military, BA 3650. Mr. Celio explained that it would be easier to move that funding into a new budget account, BA 3655, and charge rent to the National Guard and all other occupants of the Complex.

In addition, said Mr. Celio, BA 3652 contained the Adjutant General Construction Fund, which was a flow-through account of federal dollars for construction projects. Mr. Celio stated that was also the account which contained rental fees for use of the Armories by community entities. He pointed out that the National Guard had not received a significant amount of money for rental fees because of the additional security requirements caused by the incidents of September 11, 2001. The small amount of money in BA 3652 was carried forward each year and was used for various expenses.

Mr. Celio stated that BA 3653, National Guard Benefits, was the account that paid for summer school tuition for members of the National Guard. He reported that the University and Community College System of Nevada (UCCSN) granted the National Guard a tuition waiver program for fall and spring semesters; however, summer school sessions were not part of that program. Mr. Celio pointed out that summer school attendance had risen significantly over the last biennium. He explained that the Office of the Military had approached the Interim Finance Committee in FY 2008 and FY 2009 to request additional money in BA 3653.

Assemblywoman McClain asked about the Reintegration Training program and whether troops who returned from active duty utilized the program. Mr. Celio stated that BA 3654, Patriot Relief Fund, addressed that issue and he asked Colonel Carlson to respond to Assemblywoman McClain's question.

Colonel Carlson explained that the request in BA 3654 for the Reintegration Training program represented an enhancement to a current federal program under the umbrella of the Army Reserve Yellow Ribbon Program. Colonel Carlson stated that the Reintegration Training program requested in decision unit E737 was designed as a two-year program to help integrate National Guard members back into the community upon return from federal Title XX Active Duty.

Colonel Carlson stated that recent press releases pointed out that there had been an increase in suicides and the number of servicemen suffering from Post Traumatic Stress Disorder (PTSD) among those soldiers serving in the current, very lengthy war. The Office of the Military wanted to enhance the Reintegration Training program for those servicemen. Colonel Carlson indicated that the entitlement payment of \$100 to any member who attended the Reintegration Training program would be an incentive for servicemen to enter the program. The new program also invited the family of soldiers to join in the process. Colonel Carlson said that information could be provided to individual soldiers about the symptoms to watch for and the agencies that would provide assistance, but quite frequently, a soldier would attempt to address the problem without assistance.

According to Colonel Carlson, the funding requested in BA 3654 would bring soldiers and their families together and make the families of the soldiers aware of the services available. The Reintegration Training program also taught the families of soldiers about the symptoms to watch for in PTSD. Colonel Carlson stated that involvement of the families was absolutely critical and would help improve the current Yellow Ribbon Program.

Assemblywoman McClain asked whether there were any statistics available about the success of the Reintegration Training program. Colonel Carlson stated that it was a new program and was not yet operational. Assemblywoman McClain said the funding for the program had been discussed during the 74th Legislative Session. Colonel Carlson said the Office of the

Military had only recently been able to implement the program and was attempting to offer services to all units that had deployed since October 2001. Assemblywoman McClain commented that she believed the program was very important and she hoped it was successful.

Mr. Celio clarified that the Reintegration Training program would require no additional General Fund dollars. The Office of the Military retained funding in BA 3654, Patriot Relief Fund, which had been established during the 74th Legislative Session. Mr. Celio said that the Patriot Relief Fund reimbursed Guard members for life insurance premiums, text books, and for family hardships. Those funds were allowed to be carried forward, and there was adequate funding in BA 3654 for the current biennium and into the 2009-2011 biennium. Mr. Celio said the only request for the Reintegration Training program was a BDR change to allow the Office of the Military to include the additional entitlement in the Patriot Relief Fund.

Assemblywoman McClain said that she did not care whether or not the account needed additional General Fund dollars, because she believed that the Reintegration Training program was very important for Nevada's soldiers.

Vice Chair Leslie thanked Colonel Carlson for his presentation, and she asked that the Office of the Military extend the gratitude of the Legislature to all members of Nevada's National Guard. Colonel Carlson thanked the Committee, and said that on behalf of the men and women of Nevada's National Guard, he appreciated the Legislature's support. The National Guard appreciated both the hometown support for Guard members and the support of Nevada's legislative representatives.

With no further testimony to come before the Committee regarding the Office of the Military, Vice Chair Leslie opened the budget hearing for the Gaming Control Board.

**GAMING CONTROL BOARD – BA 101-4061**  
**BUDGET PAGE GAMING CONTROL BOARD-1**

Dennis Neilander, Chair, State Gaming Control Board, introduced himself and Mark Lipparelli, who was the newest member of the Gaming Control Board (Board), to the Committee. Mr. Neilander stated that Mr. Lipparelli brought a wealth of experience to the Board, not only from the regulatory side, but also from his service in a major capacity within the gaming industry. Mr. Neilander also introduced Todd Westergard, Chief of the Administration Division, who oversaw the Board's budget, and Mary Ashley, Chief Deputy of Administration, to the Committee.

Mr. Neilander referenced [Exhibit F](#) entitled, "State Gaming Control Board, Nevada Gaming Commission, FY 2009-2011 Budget Presentation," which he explained was divided into two sections. The first several pages discussed the modest enhancements that were included in The Executive Budget, and the second section of the exhibit depicted the cuts made to the Board's budget.

Page 2 of the exhibit described the modest enhancements that were included in The Executive Budget for the Board, and Mr. Neilander explained that the enhancement units included new equipment and replacement of equipment, the majority of which was authorized during the 74th Legislative Session. The equipment would be utilized in the Board's Gaming Device Laboratory (Lab). Mr. Neilander said the Board had expanded its Lab significantly over the last four years, and the Lab was now at the point of generating full revenue.

He pointed out that page 2 of the exhibit depicted a significantly higher total for fees.

Mr. Neilander stated that page 3 of the exhibit depicted the fee-based equipment and the equipment purchased with General Fund dollars. The fee-based equipment would be used in the Lab. Page 4 depicted the replacement of Lab hardware in three categories: (1) testing equipment, which was used to conduct tests on actual gaming devices in the Lab; (2) repair of equipment; and (3) replacement of information technology equipment.

According to Mr. Neilander, page 5 of [Exhibit F](#) addressed the remote access equipment that would provide access for manufacturers to a secure broadband connection to the Board's Lab. He stated that would allow licensees and applicants who were submitting products to the Lab to upload new technology and check the status of their application. Mr. Neilander said the broadband connection was something that the Board had been working toward for quite awhile. He stated that page 6, "New Gaming Lab Equipment, Test Tool Quality Control," depicted items that would be used to create test requirements and drive consistency in the Lab's testing process to ensure fairness.

Mr. Neilander stated that pages 7 and 8 of the exhibit contained the final request for Lab equipment for an upgrade to the forensic program and a more detailed explanation of the requested Lab equipment. The Board's existing forensic program was capable of conducting stand-alone forensic analysis on personal computers (PCs). Mr. Neilander indicated that the forensic portion of the Lab worked with other divisions of the Board to provide services such as forensic breakdowns. He said the upgrade would expand the capability and allow the Board to offer information through an easy-to-use web interface.

Continuing his presentation, Mr. Neilander stated that page 9 of the exhibit contained "Other Enhancements" requested by the Board. One request was for an increase in travel and training that would allow the Lab to work in the field more often. Mr. Neilander explained that there were a number of new technologies currently deployed on the floor of gaming facilities that the Board was watching closely. Those were technologies that the Board was not familiar with, such as mobile gaming and server-based gaming.

The remaining enhancement requests on page 9 of the exhibit were relocation of the Reno office and reclassification of an existing position. Mr. Neilander explained that the lease for the Reno office would expire soon, and the Board would like the flexibility to relocate if necessary. The budget request included \$25,000 for moving costs in the event the office was relocated. Mr. Neilander said if the office did not move, the money would be reverted.

Vice Chair Leslie asked whether Mr. Neilander believed that the Board could relocate to a facility with lower rent. Mr. Neilander said the Board hoped to secure a better rental rate. He explained that the last move made by the Board was to a location that was fairly far away from the location of the gaming facilities in order to afford the rent. Mr. Neilander stated that the Board hoped to move closer to the industry that it regulated, but undoubtedly the rent would be higher compared to its present location.

Vice Chair Leslie asked whether the Board had conducted a preliminary review of rental rates in the downtown Reno area. Mr. Neilander said the Board was happy with the preliminary checks, and he believed that a location could be found that fit the needs of the Board. He explained that the Board had unique needs for the Audit Division, the Enforcement Division, and a portion of the

Technology Division that were located in its Reno office. For example, said Mr. Neilander, the Enforcement Division required firearm security and an evidence locker. Mr. Neilander also pointed out that the current location did not offer adequate parking.

Vice Chair Leslie agreed that the location of the Reno office was too far away from the industry. She asked Mr. Neilander to provide information regarding the current rate for space that appeared appropriate for the Board's use. That would allow the Committee to review the costs. Mr. Neilander stated that he would provide that information. The request was for funding to facilitate the move, should the Board locate an appropriate building to meet its needs.

Continuing his presentation, Mr. Neilander said the Board was also requesting the reclassification of one supervisor position to a hearings officer position. That reclassification was for northern Nevada because the Board did not have a hearings officer at that location. Mr. Neilander explained that the Board had cross-trained a supervisor to conduct hearings in northern Nevada, and that person was now a fully trained hearings officer.

Page 10 of [Exhibit F](#) depicted the budget for the Nevada Gaming Commission, and Mr. Neilander explained that Peter Bernhard, Chairman of the Commission was not able to attend the hearing. Vice Chair Leslie stated that the Committee would review the Commission's budget later, and she asked Mr. Neilander to address the budget reductions for the Board.

Mr. Neilander said that page 11 of the exhibit was the introduction to budget reductions for the Board, and page 12 provided a summary of the major reductions that were included in The Executive Budget. Mr. Neilander pointed out that most of the staff reductions were in decision units Enhancement (E) 607, E608, and E609, and decision unit Maintenance (M) 160, which would eliminate a total of 32 positions.

Vice Chair Leslie said that appeared to be an enormous number of positions to eliminate from the agency that regulated Nevada's most important industry. She asked about the impact of the elimination of positions on the Board.

Mr. Neilander referred to page 21 of [Exhibit F](#), "Impact of Budget Reduction (By Division)," which delineated the impact by division. He explained that the Gaming Control Board was responsible for the day-to-day regulation of the gaming industry. The Nevada Gaming Commission was a part-time body that had final say over licensing matters and that acted in a judicial role when the Board brought disciplinary action against a licensee. Mr. Neilander emphasized that the Commission was part-time and did not have full-time staff. The Board conducted all the day-to-day activities of regulating gaming.

Mr. Neilander said that there were seven divisions within the Board, and three of those divisions generated revenue for the state: (1) The Corporate Securities Division, which regulated all publicly traded companies; (2) the Investigation Division, which conducted all pre-licensing investigations for private companies as well as individuals; and (3) the Gaming Lab, which ensured the integrity of gaming devices in Nevada.

Mr. Neilander stated that the Board began freezing positions approximately one year ago because of the economic downturn, but it was not in a position to freeze or eliminate positions in the three revenue-generating areas. Such action would simply impact the General Fund to a greater degree because the money generated by the Board was passed through directly to the General Fund.

Mr. Neilander said that left positions in the non-revenue-generating divisions, and those divisions were taking a disproportionate "hit" in respect to position elimination. Those divisions included the Board's Audit and Enforcement Division, and to some extent, the Tax and License Division.

Mr. Neilander stated that the Audit Division conducted full-scope audits, with over half of the staff being Certified Public Accountants (CPAs). The Board's Audit Division was certified by the Nevada State Board of Accountancy, which audited the Division every year. Mr. Neilander explained that when the Board hired a new employee in the Audit Division, that employee had to have, at minimum, a five-year accounting degree. He stated that the hours the employee worked performing audits on behalf of the Board qualified the employee toward his/her CPA. According to the State Board of Accountancy, those employees must be supervised by CPAs. Mr. Neilander reported that the Board's CPAs rendered full-scope audits. Once an audit was completed by the Audit Division, a professional opinion would be rendered in accordance with the Generally Accepted Accounting Principles (GAAP).

Referring to page 21 of the exhibit, Mr. Neilander said the Board planned to lengthen its audit cycle from the current 2.3 years to 3 years. He explained that on average, the Board would complete an audit of a major casino every 3 years. The Board conducted interim audits based on risk and the Board would adjust its risk model, which meant that the Board could not regularly visit certain licensees as it had in the past. Mr. Neilander said that three outcomes could occur when the Board conducted an audit: (1) The Board would assess a licensee who was not complying and had failed to pay sufficient tax revenue; (2) The Board would recommend that the licensee apply for a refund by demonstrating overpayment of taxes; or (3) the Board would issue a clean audit opinion that was revenue-neutral.

Vice Chair Leslie asked what usually occurred in the audits conducted by the Board. Mr. Neilander said the audits were usually to assess taxes paid by a licensee, not because the licensee intended not to pay the correct amount, but because someone had made a mistake in figuring the correct amount of taxes owed.

Vice Chair Leslie asked whether lengthening the time between audits would create a reduction in General Fund revenue. Mr. Neilander said it could have that effect, but audits also discovered refunds owed licensees who failed to deduct eligible items. According to Mr. Neilander, the costs for certain promotional activities were allowed as deductions and when an audit revealed that a licensee had not claimed an allowed deduction, the Audit Division would point that out so the licensee could apply for a refund.

Vice Chair Leslie asked whether the audit process was retroactive and the state would eventually realize the additional General Fund dollars, even though the period between the audit processes had been lengthened. Mr. Neilander said that the time frame for an audit was the time between the last audit and the current audit. If taxes were owed there would also be an interest assessment, which meant that a licensee would be required to pay the underlying tax plus the interest. On the reverse side, Mr. Neilander explained that if the state was required to pay a refund, the interest rate was half the amount assessed for the licensee.

Mr. Neilander said the effect would be noticed when a licensee believed that taxes were being paid properly when they were not, and because the length of time between audits had been lengthened, the licensee would be required to pay

more in assessments and interest. Mr. Neilander believed that was particularly true at the current time because of the number of mergers and consolidations within the gaming industry. As a function of a merger, some efficiency was created by consolidating accounting functions. Mr. Neilander explained that a large conglomerate might have one individual in charge of regulatory controls, and that person might be making a mistake for one property; however, after the merger, the person would be making the same mistake for numerous properties.

Mr. Neilander stated that if the industry had a collective view of the audit process, the consensus would be not to be audited at all, but because audits were necessary, the industry would prefer more frequent audits.

Mr. Neilander reported that elimination of positions within the Enforcement Division would mean a decrease in visibility, with the Division responding mostly to calls rather than conducting proactive work. He indicated that there were over 2,700 licensees in Nevada and the system was very "front-loaded." Mr. Neilander remarked that the Board did not have the resources necessary to "look over each licensee's shoulder," which was how the gaming industry was regulated within some jurisdictions.

Per Mr. Neilander, eliminating positions within the Enforcement Division would reduce the Board's visibility even more. The Board was attempting to spread the work in a manner that did not affect the rural areas, because the Enforcement Division was already spread very thin in the rural areas. Mr. Neilander explained that the Board's Elko Office was responsible for the entire northeastern segment of the state, and when something occurred in a rural area, a person was sent from the Elko Office to investigate.

Mr. Neilander reported that the Board had considered closure of an office or reducing office hours, but found that such action was not feasible. Therefore, the Board would be required to cut down its day-to-day work at licensees' locations. He explained that the Board wanted to continue timely resolutions of patron disputes. For example, a dispute over \$500 was required to be reported to the Board, at which time an agent would be sent to investigate the case and attempt to make an on-the-spot decision. Mr. Neilander said if an on-the-spot decision was not possible, the dispute would go through a hearing process. He commented that the Board did not want the elimination of positions to affect that process, but it was unsure of the outcome.

The Audit and Enforcement Divisions would be hardest hit by position eliminations. Mr. Neilander explained that the Tax and License Division conducted audits for smaller licensees, and while those were not full-scope audits, they did consist of thorough reviews. He believed that the audit cycle for the Tax and License Division would also be lengthened in similar fashion to the cycle for the Audit Division.

Assemblywoman Buckley asked that Mr. Neilander provide a revised budget to the Committee, one that recognized the Board's priorities for the positions, and one that recognized that the state was facing a very dire budget situation. She opined that it made no sense to eliminate positions that conducted the audits that might lead to additional General Fund revenue. Assemblywoman Buckley did not believe that the Board should be crippled when it was one of the most important state agencies that regulated the state's most important industry. She asked that the Board prioritize the 31 positions as those it considered essential and those it thought would be helpful, if restored, and include the rationale behind the decisions.



Mr. Neilander said he would be happy to provide that information. He recognized that both the Administration and the Legislature, along with the Board and its employees were in a "tough spot," and he would be happy to provide a further breakdown regarding position eliminations.

Assemblyman Grady asked whether the 31 positions slated for elimination were currently filled and, if vacant, the length of the vacancy. Mr. Neilander explained that the Board began freezing positions well over one year ago as the economy began to falter. The Board currently had 27 open positions, and the recommendation in The Executive Budget was to cut 32 positions. Mr. Neilander stated that would mean the elimination of five additional positions, but the Board was confident that if the budget were approved as recommended, it could avoid lay-offs. He stated that there were a number of employees who would soon be retiring, based on the recommended reduction in salary and benefits. Mr. Neilander stated that within the past few weeks, two senior employees with the Board indicated that they would retire in March 2009. He stated that both employees had 30 years with the Board, so that amounted to 60 years of institutional knowledge "walking out the door" in March 2009. Mr. Neilander said there would be further attrition, and he was confident that the Board would not be required to lay-off employees.

Assemblyman Hardy referenced the recommended cut in salaries and reduction in benefits included in The Executive Budget, and he asked whether Mr. Neilander believed those cuts would play a role in employee's decisions to retire. Mr. Neilander believed that the recommendation regarding reductions in salary and benefits would definitely play a role in the decision to retire for many employees. The Board had many long-time employees, and he believed that was the reason for its stability in the regulation of the gaming industry.

Mr. Neilander indicated that the Board was made up almost entirely of professionals with degrees. There were over 300 employees who had degrees and many with advanced degrees. Mr. Neilander said those employees could perhaps enter the private sector and be paid more money, but they enjoyed working for the Board. He believed there were many long-term Board employees who would definitely be watching the outcome of the Legislature between now and July 1, 2009, because of retirement and health insurance issues. Mr. Neilander said that salary reduction was another issue and was outlined on page 23 of [Exhibit F](#). He believed that all factors would come into play as long-term employees determined whether or not to retire.

Assemblyman Hardy asked how many persons at the Board would be eligible for retirement. Mr. Neilander explained that he did not have those figures with him, but he would provide the information to the Committee.

Vice Chair Leslie noted that there was also a recommendation to suspend credential pay in the Board's budget, and she asked about the effect of that recommendation. Mr. Neilander stated that page 23 of the exhibit included a very broad outline of the reductions in compensation. He noted that in addition to the 6 percent salary cut, The Executive Budget recommended a reduction in credential pay. Mr. Neilander advised that the credential pay program had been initiated by the Legislature over a decade ago and assisted the Board with recruitment and retention of credentialed employees. Mr. Neilander said credential pay applied to CPAs, certified engineers, and attorneys who had passed the state bar examination. An employee who gained and retained a professional certification was entitled to up to \$5,000 per year in additional compensation. Mr. Neilander stated that had been a tremendous tool

for the Board, one that allowed it to retain a long-standing core group of professionals who engaged in the Board's regulatory activities.

Mr. Neilander reported that the 6 percent salary reduction, plus elimination of the 5 percent credential pay, plus the elimination of longevity pay, plus the shift differential, plus the SAGE Commission recommendations, meant that the Board's long-term employees were looking at a 13 percent up to a 17 percent reduction in overall compensation.

Vice Chair Leslie asked how many employees Mr. Neilander thought would retire because of the recommended salary reductions. Mr. Neilander said he could not predict the number because employees were faced with many issues, such as the state of the economy along with the salary reductions. He noted that when there was a downturn in the economy and periods of budget reductions within the state, the Board found that as the private sector and the gaming industry recovered, the Board's trained staff of accountants, auditors, financial experts, lawyers, and law enforcement personnel, tended to leave because the Board was not able to recover as quickly.

Mr. Neilander said when the Board was in the position to again hire staff, many of the experienced employees that the Board and the state had trained would no longer be available, and the Board would be forced to replace those people at a time when the market was reduced. Mr. Neilander again stated that he could not provide a figure regarding the number of employees who would retire.

Assemblywoman Buckley stated that the Committee would review the Board's budget and perhaps consider reinstatement of the priority positions, particularly those that would yield additional revenue. Also, the Committee could perhaps consider restoration of the credential pay, because it did not want to see the Board move backwards and lose its efficiencies and the good service it provided to the industry. She asked whether there was a possibility that some divisions within the Board's budget could be more fee-driven.

Mr. Neilander said he would be happy to provide more detailed information to the Committee. He believed that within the realm of regulating the gaming industry, there were certain areas in which the Board's Lab provided a service to the industry in testing new products and ensuring that the integrity of the product would protect public confidence in the gaming industry. Mr. Neilander stated there was a value in that service and fees should be charged. Similarly, if a person wanted to enter into a privileged industry such as gaming, Mr. Neilander believed it would be appropriate for that person to pay for the investigation. The area in which the Board would not charge was the Audit Division, and the reason was that the Board required the large licensees to have their own independent auditors. Mr. Neilander explained that large licensees were also audited by outside auditors. He said that some states funded the entire gaming control agencies through fees. Mr. Neilander opined that it would also be difficult to determine a fee-based method of billing for the services of the Enforcement Division.

Assemblywoman Buckley asked that Mr. Neilander provide his thoughts to the Committee for review regarding fee-driven services, including thoughts about an increase in existing fees, such as those for new licensees. Mr. Neilander said he would provide the information, both the plusses and minuses of fee-driven services based on the current economy. He pointed out that the industry was suffering to an extent that the Board had not seen in the past.

Vice Chair Leslie asked whether the Board anticipated a need to adjust gaming employee registration costs. Mr. Neilander said that Senate Bill (S.B.) 83 was pending before the Senate Committee on Judiciary, and he explained that the Board had been able to balance those costs. He stated that the registration program was fee-based and revenue-neutral. The only area that the Board underfunded was the change of employment notices. Mr. Neilander stated that the Board failed to anticipate the number of change of employment notices it would receive. Once an employee received a registration, it was potable and the employee was not required to reapply for a period of five years. Mr. Neilander reported that the program was functioning well with the exception of the change of employment notices. The Board's suggestion in S.B. 83 was that it be allowed to charge a small fee for the change of employment notices, and Mr. Neilander stated the fee would be approximately \$5.00.

Vice Chair Leslie stated that the Committee's concern was that the Board would need to adjust its base budget downward because there were fewer employees in the gaming industry. She asked whether such action was anticipated. Mr. Neilander said the Board projected that the program would remain static. There had been no increase in the charges from the FBI or the Criminal Repository to process applications, but Mr. Neilander said if the costs were reduced, the Board would also reduce its budget. He stated it was an interesting dynamic and the opening of the Encore hotel/casino in Las Vegas required 5,000 new employees, some of whom were past gaming employees. Also, properties were closing and employees were changing jobs, which was indicative of the costs to the Board for the change of employment notice.

Vice Chair Leslie said it appeared that the Board had factored in the costs as best it could, and Mr. Neilander stated that was correct. Vice Chair Leslie asked whether the Board had also factored the effects of S.B. 83 into its budget. Mr. Neilander replied that the Board had also factored the effects of the bill into its budget.

Vice Chair Leslie referenced decision unit E680, which proposed to convert the funding source for two positions from General Fund to investigative fees, and she asked whether the Board concurred with that recommendation. Mr. Neilander stated that the two positions would otherwise be eliminated, and the additional fees that were being generated by the Lab would be used as the source of funding. He indicated that the Board wanted to retain those two positions.

Assemblyman Denis noted that decision unit E720 requested Lab equipment, and he asked whether the Lab had recently moved to a new location in Las Vegas. Mr. Neilander stated that the Lab had been moved to a location that was in the hub of the area where manufacturers of gaming equipment were located. The Lab was originally located on the first floor of the Grant Sawyer State Office Building, which was not an ideal location for the Lab. He explained that very large gaming platforms were often brought to the Lab, and the Lab required appropriate space to deal with those platforms.

Assemblyman Denis asked how often the Board was required to replace Lab equipment. Mr. Neilander said the Board had a replacement cycle, which he would provide to the Committee, but it depended on the type of equipment. Assemblyman Denis stated that he would be interested in reviewing the replacement cycle.

Assemblyman Denis noted that the Board proposed to spend a great deal of money for Lab equipment, but it had not requested a significant amount of funding for administrative equipment. Mr. Neilander referred to page 24 of [Exhibit F](#) and stated that Assemblyman Denis was correct. Through the years, the Board had used forfeiture funds and other monies that became available to handle its information technology (IT) needs. Mr. Neilander said the Board had now reached a critical position with respect to its computer systems. The Board operated from a parallel system, one of which was a PC-based Oracle network system that had been in place for approximately eight years. The Board's COBOL-based system was 25 years old, and the programs had been written by the Board's IT staff, partially to enhance the security of the system. Mr. Neilander indicated that there was a great deal of data in the COBOL system.

Assemblyman Denis said the system was probably running as well as ever because it was a COBOL-based system. Mr. Neilander explained that the hardware for the system was 11 years old, and the Board's vendor indicated that they could no longer provide support. The Board was reviewing different ways to migrate the data. He noted that the Board had submitted a proposal to migrate the data during each legislative session, but it had never gained approval for the proposals. Mr. Neilander said he brought that to the attention of the Committee simply because the problem would continue. The Board also recognized that because of the current budget shortfalls, it would not be appropriate to submit new funding proposals for IT upgrades.

Assemblyman Denis pointed out that the Board had not included a request in its current budget to upgrade its IT systems. Mr. Neilander stated that was correct. Assemblyman Denis asked about the Board's vendor support for the current hardware. Mr. Neilander explained that the current vendor would continue to support the hardware at the present time, but the vendor had indicated that they could not continue to support the Board's hardware indefinitely. Assemblyman Denis supposed that the Board was the last user of its particular database. Mr. Neilander believed that the vendor was only continuing to support the Board's IT needs because the Board had been with that vendor for a lengthy period of time.

Vice Chair Leslie recognized that these were terrible economic times, but she indicated that the Committee also recognized that the situation regarding the Board's IT needs could not be ignored for long and would eventually need to be addressed. She asked whether Mr. Neilander could submit a proposal to the Committee to at least start the process of replacement of the Board's IT systems. Mr. Neilander said that he would provide that information to the Committee. He explained that the Board had prepared a somewhat layered proposal that ranged from installation of a better redundant backup system to full migration of the data to the Oracle system. Vice Chair Leslie believed that the Committee should review that plan.

Vice Chair Leslie referenced the recommendation in The Executive Budget that the Motor Pool purchase 11 replacement vehicles for the Board, and she asked whether that request could be reduced. Mr. Neilander replied that the request factored in the elimination of 32 positions, and he believed that some were replacement vehicles. If the Board was able to add positions back into its budget, it would correspondingly adjust the request for Motor Pool vehicles. Vice Chair Leslie asked that when the Board provided its list of position priorities to the Committee, that it also include other expenses such as Motor Pool that would require adjustment. Mr. Neilander stated that he would provide the requested information.

Vice Chair Leslie asked Mr. Neilander to address BA 4067, Nevada Gaming Commission, and the increase recommended for both in-state and out-of-state travel.

**GAMING COMMISSION – BA 101-4067**  
**BUDGET PAGE GAMING CONTROL BOARD-12**

Mr. Neilander indicated that the funding requested in BA 4067 was primarily for out-of-state travel. He explained that Commission members and the Board were involved in different organizations of global regulators. One particular organization that the Commission and the Board participated in was the International Association of Gaming Regulators (IAGR). Mr. Neilander stated that as the gaming economy became global over the last decade, the Legislature had seen fit to include funding in the Board's budgets so that members could attend both the annual and semiannual meetings of the IAGR. He noted that the Board had recently finished a large investigation involving the Crown Casino company, one of the largest publically traded companies in Australia. Mr. Neilander indicated that Crown had purchased a portion of the project to be known as the Fontainebleau Las Vegas. He said that Crown also purchased the Cannery casino/hotel resorts in Las Vegas and was licensed by the Board in January 2009.

Mr. Neilander indicated that commissioners and Board members had met with their counterparts in Australia through IAGR to deal with common issues. He also emphasized that commissioners and Board members had developed an excellent relationship with regulators around the world in locations where Nevada's licensees were engaged in business. Mr. Neilander stated that attending the IAGR annual and semiannual meetings was mutually beneficial for the Board and the Commission.

Vice Chair Leslie stated that she could understand the need for out-of-state travel, but the Board's actual expense in FY 2008 was \$4,693 and the recommendation in The Executive Budget was for \$21,000 in FY 2010 and \$27,000 in FY 2011. Mr. Neilander indicated that the increase was for the Commission. Over the past biennium, Chairman Bernhard paid his own expenses, and the other commissioners had not taken advantage of out-of-state travel over the past year. Mr. Neilander said the current funding request reflected the ability for the five commissioners to pick and choose to attend at least one international conference. He stated he would provide additional detail to the Committee.

Vice Chair Leslie said the question would be whether the Board felt it was more important for commissioners to travel or more important to put a position back into the Board's budget. She explained those were the types of very difficult decisions facing the Legislature, and she asked Mr. Neilander to give that some thought and report back to the Committee. Mr. Neilander stated he would provide the requested information.

Vice Chair Leslie noted that credential pay was included in Budget Account (BA) 4067 for one employee. Mr. Neilander stated that was a mistake. The individual was a licensed attorney, but if the credential pay was suspended as recommended, it would include all licensed employees.

Vice Chair Leslie indicated that the Committee had no questions regarding BA 4063, Gaming Control Board Investigation Fund, and she asked whether Mr. Neilander wanted to comment about that budget. Mr. Neilander said the Board had attempted to estimate the type of new licensing activity that would

be generated over the biennium. He explained that the activity was very hard to predict because there were a number of companies that were financially restructuring at the present time, and with that restructuring, the Board would see new activity in terms of new creditors. Mr. Neilander stated that given the state of the economy, the Board had done its best to estimate future needs in BA 4063.

Vice Chair Leslie thanked Mr. Neilander for his presentation, and asked whether there were further questions or comments to come before the Committee regarding the budgets for the Gaming Control Board or the Nevada Gaming Commission. There being none, the Vice Chair opened the hearing on BA 2681, W.I.C.H.E. Loan and Stipend.

Assemblyman Goicoechea disclosed that his son was a participant in the WICHE program.

**W.I.C.H.E. LOAN & STIPEND – BA 614-2681**  
**BUDGET PAGE WICHE-1**

Ron Sparks, Director, Western Interstate Commission for Higher Education, (WICHE) introduced Dr. Jane Nichols, Vice Chancellor for Academic and Student Affairs, Nevada System of Higher Education; Carl Shaff, Executive Commissioner, Western Interstate Commission for Higher Education; and Jeannine Sherrick, Program Officer 2, Western Interstate Commission for Higher Education, to the Committee.

Mr. Sparks stated that the majority of the budget issues were in Budget Account (BA) 2995, WICHE Administration, but he would be happy to address questions regarding BA 2681.

Vice Chair Leslie noted that The Executive Budget proposed to transfer BA 2861, Western Interstate Commission for Higher Education Loan and Stipend, to the budget for the Nevada System of Higher Education (NSHE), and she asked Mr. Sparks to explain how BA 2681 would operate after the transfer.

Mr. Sparks said that as a result of the proposal included in The Executive Budget, it was also recommended that the NSHE assume the operation of the WICHE Loan and Stipend budget. The proposal recommended the transfer of two positions, the program officer 1 position, and the program officer 2 position. Mr. Sparks stated that WICHE had recommended, as part of its budget proposal, to continue the program with the program officer 2 position and the accounting technician position.

Vice Chair Leslie asked whether the NSHE approved of the transfer of WICHE. Dr. Nichols replied that she was present to represent the NSHE and she also sat as a commissioner of WICHE. She indicated that the NSHE had not requested the transfer, but after reviewing the program and meeting with WICHE staff, it was determined that it would be a good move for WICHE both for efficiency and effectiveness, that some cost-savings could be realized, and a symbiotic relationship developed that would enhance WICHE's functioning. Dr. Nichols indicated that the three WICHE commissioners had agreed with the transfer and were working closely with staff to ensure that the transfer on July 1, 2009, was as effective as possible.

Vice Chair Leslie indicated that the concern of the Committee was in comingling the budget account for WICHE, and she asked whether the NSHE would be able to provide a separate accounting for WICHE.

Dr. Nichols stated that the NSHE specifically requested that for reporting and accountability purposes, WICHE operational costs should remain in a distinct appropriation area separate from the NSHE administration. That would protect the student programs, as well as the integrity of WICHE, which as an interstate compact was mandated to operate independently. Dr. Nichols said that the NSHE believed that independent operation of student programs was important.

Vice Chair Leslie indicated that Fiscal Analysis Division staff would follow up with staff of the NSHE to ensure that the program was appropriately placed within the NSHE. Vice Chair Leslie asked whether the NSHE would assess administrative fees to administer the program.

Dr. Nichols said that the NSHE would not assess an administrative fee, but it would request a reimbursement from WICHE for a 0.20 portion of a NSHE full-time equivalent (FTE) fiscal analyst position. She explained that part of the support that the NSHE would provide to WICHE was the overall financial operations, but the position that would provide that service was not a state-funded position. Vice Chair Leslie remarked that it appeared there would be no overhead charge, and Dr. Nichols stated that was correct. Dr. Nichols said that the Vice Chancellor's position would assume some responsibilities, and there would be no extra cost to WICHE or the state for administration of the program.

Vice Chair Leslie asked about the reduction in the number of approved student slots in WICHE. The Executive Budget recommended a total of 115 slots in FY 2009-10 and 114 slots in FY 2010-11 compared to 122 slots over the past biennium.

Mr. Sparks explained that the reduction in slots was because of past and continued budget cuts. No additional cuts to the program were currently recommended, and the Commission made it very clear that it wanted to protect the integrity of the program.

Assemblyman Hardy noted that two dentistry slots would be cut. He pointed out that there was a dental school in Nevada, and he wondered why slots remained for out-of-state placement in dentistry.

Mr. Sparks explained that there were several different programs offered by WICHE. The traditional WICHE program was to allow students to access programs in other states that were not available in Nevada. Mr. Sparks stated there was also a healthcare access program administered by WICHE that allowed students to either attend in-state or out-of-state programs. Regarding the dental slots, WICHE funded a loan-repayment program to ensure that students in Nevada's program would provide care for the underserved population.

Assemblyman Hardy said that in the dental field WICHE was utilized for in-state students at Nevada's dental school rather than sending students out-of-state, and Mr. Sparks stated that was correct. Assemblyman Hardy asked if that same policy applied to the physician assistant slots because of the availability of privately run physician assistant programs in Nevada. Mr. Sparks stated that because access was only available through private programs, WICHE actually continued to send students to out-of-state physician assistant programs. That would change if the physician assistant program was offered by the Nevada System of Higher Education (NSHE).

Vice Chair Leslie stated that the Committee was aware of the mix of slots for the WICHE program. She asked Mr. Sparks whether he was comfortable with the mix and whether WICHE funding would be appropriately utilized with the current mix of slots. Mr. Sparks said he was comfortable with the current mix of slots because a great deal of information was reviewed in determining the slot mix, including the need in the field within Nevada and the need in the field to work with the underserved population.

Vice Chair Leslie asked whether there would be a sufficient number of applicants for the number of slots, and Mr. Sparks replied that he believed there would be sufficient applicants.

Vice Chair Leslie referenced the recommended reduction in the annual support fee for the Health Care Access Program (HCAP), and she asked how that reduction would affect the number of slots. Mr. Sparks said that the recommended reduction would only be in certain fields. The state was required to include a 3.4 percent increase in the budget for those fields that were included in the interstate compact. Mr. Sparks stated that the fields where the state could set the rates would be reduced to meet the budget shortfall. He did not believe that the reduction would affect WICHE's ability to attract students to its programs.

Vice Chair Leslie asked whether the reduction would mean fewer slots and how the difference would be addressed. Mr. Sparks said that the difference was addressed through the process of savings that the program was able to achieve through continuation of budget cuts. He stated that the savings would compensate the recommended reductions.

Vice Chair Leslie asked whether the proposed reduction would affect any current students and whether those students had signed agreements with WICHE regarding the level of support. Mr. Sparks said the reduction would affect current students; however, the students signed a year-to-year contract, and the reduction would be shown on the current yearly contract.

Vice Chair Leslie indicated that the Committee was concerned that the loan and stipend revenue might be overstated. Mr. Sparks reported that WICHE was working closely with Fiscal Analysis Division staff to ensure that the revenue was not overstated. He stated that WICHE used a formula to project revenues, and he was comfortable with that formula.

Vice Chair Leslie asked whether those revenues were overstated. Mr. Sparks believed that the revenues were not overstated at the present time. Vice Chair Leslie said the concern was that the expenses were being understated while the revenue was being overstated. Mr. Sparks said that WICHE depended on student repayment of loans, but he pointed out that WICHE had reduced the amount of anticipated collection of loans and stipend revenue by \$83,000 per year. Mr. Sparks emphasized that WICHE had anticipated the reduction and had not requested additional General Fund to cover that reduction.

Assemblywoman Smith asked about the status of current collections and about compliance with the last audit recommendations regarding collections. She said that, personally, she was somewhat nervous about the transfer of WICHE to the Nevada System of Higher Education (NSHE).



Mr. Sparks reported that WICHE had adopted policies and procedures to address the recommendations of the audit, and he was comfortable that the issue of collections had been addressed. Mr. Sparks indicated that no additional persons had been added to the collection process, and WICHE was moving accounts in collection status very regularly to the Controller's Office. Mr. Sparks said he was very comfortable with the transfer of WICHE to the NSHE, because that system had very competent staff that would assist with the collection process.

Assemblywoman Smith asked whether WICHE had noted any changes or trends in loan repayment because of the downturn in the economy. Mr. Sparks said that he was very comfortable about the projected loan and stipend revenues in the WICHE budget. He explained that students continued to make loan payments in a timely manner. Mr. Sparks pointed out that WICHE's contract loan servicer, Educational Computer Systems, Inc., did an excellent job of tracking student loan payments, and WICHE staff were also working very diligently in that area. Mr. Sparks stated that even with the current state of the economy, there were a significant number of students in WICHE programs who had paid off their loans early.

Vice Chair Leslie asked Dr. Nichols to address BA 2995.

**W.I.C.H.E. ADMINISTRATION – BA 101-2995**  
**BUDGET PAGE WICHE-7**

Vice Chair Leslie asked about the elimination of positions, particularly the 0.51 FTE program officer 1 position, which was approved during the 74th Session to provide outreach and recruitment in the Clark County area and apparently had never been filled.

Dr. Nichols stated that it had been very important to the Commission to establish that half-time position in Las Vegas. The function of that position would have been to recruit student involvement in WICHE programs and provide visibility for program opportunities for Nevadans. Because of budget cuts, the Commission made the decision not to fill the position rather than lay off current staff.

Dr. Nichols said when it became clear that the Governor would recommend a 57 percent cut in administrative costs, the Commission wanted to retain the two excellent, very competent staff members who would remain with WICHE, the program officer 2 position and the accountant technician 1 position. Dr. Nichols explained that the program officer 2 position would assume additional responsibilities for activities in Las Vegas and would spend more time in southern Nevada. She indicated that more responsibility would be shifted to the accountant technician 1 position. Dr. Nichols pointed out that it was not the ideal solution, and the NSHE would like to come back to the 2011 Legislature and again request the half-time position for WICHE outreach activities in Las Vegas, providing that finances allowed such a request. Given the quality of staff that the Commission wanted to retain, the Commission felt the current arrangement would be the most effective at the present time. Dr. Nichols stated that the actual increase requested in the budget was approximately \$57,000 to retain both positions.

Vice Chair Leslie asked Dr. Nichols to explain how the NSHE planned to conduct outreach activities for WICHE in southern Nevada.

Dr. Nichols explained that Jeannine Sherrick, Program Officer 2, WICHE, would conduct the outreach activities in Las Vegas. Ms. Sherrick spent a great deal of time in Las Vegas at the present time and would spend additional time once she assumed some of the duties of the director. Dr. Nichols said that the College of Southern Nevada had offered free office space for Ms. Sherrick's use, and the NSHE was working on those arrangements. Dr. Nichols stated that within budget constraints, the NSHE would try to keep the focus on WICHE outreach activities in Las Vegas.

Vice Chair Leslie asked whether a change to statute would be required to transfer WICHE to the NSHE. Dr. Nichols said she would work with Fiscal Analysis Division staff to determine whether a change would be required. The recommendation in The Executive Budget was to move WICHE as a budget item to a different budget account. Dr. Nichols indicated that she would check the *Nevada Revised Statutes* (NRS) and the *Nevada Administrative Code* (NAC) to determine what requirements had to be met for the transfer.

Carl Shaff, Executive Commissioner, WICHE, informed the Committee that in May 2008 the Commission recommended elimination of the director's position and the elimination of staff positions, because it wanted to be more cognizant of the state of the economy. The recommendation to cut the budget for WICHE by 57 percent was more than the Commission anticipated, and that cut would put a severe crimp in WICHE's ability to function within the state guidelines.

Vice Chair Leslie asked Dr. Nichols to outline the new position mix for the Committee. Dr. Nichols explained that the new position mix would include one program officer 2 position, along with a 5 percent pay increase to account for the additional duties that position would assume because of the elimination of the director's position. She indicated that the mix would also include one full-time equivalent (FTE) accountant technician 1 position, along with a 0.20 FTE portion of a NSHE senior budget analyst position, for a total of 2.20 FTE positions. Dr. Nichols pointed out that the total cost would be \$57,606 and \$57,598 over both years of the biennium, as recommended in The Executive Budget. Dr. Nichols indicated that 2.20 FTE positions would be needed for the upcoming biennium compared to 3.51 FTE positions approved for WICHE's budget for the 2007-2009 biennium.

Vice Chair Leslie said her only concern about the transfer was to ensure that the budget accounts remained separated so that WICHE could be monitored and to ensure that there were no additional costs to the WICHE program, which apparently would be done. Dr. Nichols stated that was correct.

Vice Chair Leslie asked Mr. Clinger to clarify whether a bill draft request (BDR) would be needed to facilitate the transfer. Andrew Clinger, Director, Department of Administration, advised the Committee that a BDR would be submitted to facilitate the transfer of WICHE to the NSHE.

Vice Chair Leslie understood that Mr. Sparks was retiring from state service, and she thanked him for his past state service. Mr. Sparks thanked the Committee and stated that he believed he left WICHE in very capable hands, and he was excited about the direction in which the program was moving.

With no further comments or testimony to come before the Committee regarding the budget accounts for the WICHE program, Vice Chair Leslie closed the hearing.

Vice Chair Leslie opened the hearing for public testimony, and there being none, she adjourned the meeting at 10:31 a.m.

RESPECTFULLY SUBMITTED:

---

Carol Thomsen  
Committee Secretary

APPROVED BY:



---

Assemblywoman Sheila Leslie, Vice Chair

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

<u>EXHIBITS</u>			
Committee Name: <u>Committee on Ways and Means</u>			
Date: <u>February 20, 2009</u>		Time of Meeting: <u>8:04 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
***	A		Agenda
***	B		Attendance Roster
***	C	Bruce Breslow, Ex. Director, High Level Nuclear Waste	Report and Recommendation of the NV Commission on Nuclear Projects
***	D	Bruce Breslow, Ex. Director, High Level Nuclear Waste	Report to the Nevada Legislature's Committee on High-Level Radioactive Waste, 7/1/08 – 12/31/09
***	E	Bruce Breslow, Ex. Director, High Level Nuclear Waste	State of Nevada Technical Consultants
***	F	Dennis Neilander, Chair, Gaming Control Board	Budget Presentation