MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
Seventy-Fifth Session
March 2, 2009

The Committee on Ways and Means was called to order by Chair Morse Arberry Jr. at 8:08 a.m. on Monday, March 2, 2009, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, 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/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: publications@lcb.state.nv.us; telephone: 775-684-6835).

COMMITTEE MEMBERS PRESENT:

Assemblyman Morse Arberry Jr., Chair
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 Oceguera
Assemblywoman Debbie Smith

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Steve Abba, Principal Deputy Fiscal Analyst
Tracy Raxter, Principal Deputy Fiscal Analyst
Linda Smith, Committee Secretary
Vickie Kieffer, Committee Assistant

GUEST LEGISLATORS PRESENT:

Assemblywoman Peggy Pierce, Clark County Assembly District No. 3

Chair Arberry recognized Michael E. Skaggs, Executive Director, Division of Economic Development.

Mr. Skaggs began a brief overview of the Commission on Economic Development (Exhibit C). The Nevada Commission on Economic Development (NCED) was chaired by Lieutenant Governor Brian Krolicki. The six commissioners included Vice Chair Patty Wade, Miranda Du, LeRoy Goodman, Monte Miller, Luis Valera, and Frank Woodbeck.

Continuing, Mr. Skaggs noted he had joined the Commission in May of 2008 and had spent 35 years in economic development in other states, including Oklahoma, Texas, and Arizona, and had worked as a consultant for the Commission. The Commission had offices in Carson City and Las Vegas. There were designated authorities in the rural counties that the Commission depended upon for information flow and had direct contact with concerning any of the programs. A list of affiliated economic development authorities was included on page 3 of the handout (Exhibit C).

Mr. Skaggs noted the Commission was formed in 1983 in response to economic times similar to, but not quite as severe as, the current economic situation. There were concerns that the state could not meet payroll. At that time, Governor Richard Bryan created the Commission on Economic Development and used the key word "diversification" in the mission. Mr. Skaggs explained the purpose of the Commission was the diversification of the economy by the creation of non-gaming jobs. Mr. Skaggs emphasized that the Commission's programs had been working.

Mr. Skaggs said the Commission's vision included an economic platform driven by renewable energy, future-based technology, and human ingenuity to promote business opportunities in every community. Human ingenuity was the source of the agency's business plan. Mr. Skaggs referred to the four major strategy fundamentals:

- Retention and expansion of existing business to create jobs.
- Start-up facilitation of "basic industry" companies exporting 50 percent of product or services to create jobs.
- Attraction of film and business recruitment to create jobs.
- Community development to make communities competitive in a global economy.

Mr. Skaggs referred to the map on the bottom of page 5 of Exhibit C, which included the state's unemployment rate by county. He noted 128,000 of Nevada's citizens were out of work. Unemployment in both Washoe County and Clark County exceeded 9 percent, which greatly concerned the Commission. Many of Nevada's counties needed private sector jobs. The Commission was looking at the counties experiencing the worst unemployment and was attempting to get resources to those counties as quickly as possible to help build the job base.

COMMISSION ON ECONOMIC DEVELOPMENT
COMMISSION ON ECONOMIC DEVELOPMENT (101-1526)
BUDGET PAGE - ECON DEV & TOURISM - 1

Mr. Skaggs referenced budget account (BA) 1526, the major administrative budget for the Commission and outreach programs for both domestic and international trade. Budget account 1526 had a number of "pass-through funds" that went through the Commission to other entities. The budget cuts resulted in a reduction in funding for operating costs for BA 1526 from the original $2 million to $1.8 million for fiscal year (FY) 2009, and the proposed budget for operating costs for FY 2010 was $1.3 million.

Continuing, Mr. Skaggs noted the core business development activities conducted under BA 1526 generated an exponential return to Nevada's economy in the form of job creation and retention, business retention, expansion, location, and increased flow of new money into the state's economy through goods and services sold outside Nevada's geographic borders. Over the

2007-2009 biennium, the Commission assisted 72 companies to begin or expand operations in Nevada. Those companies created 1,961 new jobs with an average hourly wage of $20.59. Mr. Skaggs said the Commission pursued companies providing jobs that paid higher than the state average and had full benefits; these were head-of-household jobs that helped to hold families together. Between 2007 and 2008, the Commission had worked with 72 companies to create just under 2,000 jobs that met the standards. To date, job growth had slowed significantly, mainly due to the capital markets. Mr. Skaggs said "we are bumping 120 active projects." Many projects could not move forward because of the difficulty in obtaining financing. The companies that were coming before the Commission included existing companies interested in expansion or large corporations.

Mr. Skaggs pointed out that in FY 2008 the agency applied for and was awarded $173,200 in United States Department of Agriculture (USDA) grants to conduct sales missions. He said:

> This is how we underwrite our export program for agricultural goods. If it were not for that program, we would have a great deal of difficulty with our agricultural exports and it is good we have this in place right now because we have had new overtures just recently from both Mexico and Cuba to organize trade missions for Nevada-based companies to sell their agricultural goods in those two countries.

Mr. Skaggs noted that China had been an important partner for Nevada's agricultural products for some time. The sales missions supported by the grants returned $5 million in sales. Mr. Skaggs recognized a Nevada company not engaging in some form of a global economy would suffer because of the weak domestic economy. Mr. Skaggs said the Commission actually "hand-held" businesses through the entire exporting process. The work of the Commission supported 87,000 jobs paying 17 percent more than similar non-export jobs, which shows the wealth available in the international economy.

Mr. Skaggs referred to page 7 of Exhibit C. The original budget for FY 2009 was approximately $6 million and was reduced to approximately $4 million; FY 2010 and FY 2011 had modest increases. Funding included in The Executive Budget to support the administration, business recruitment, and global trade was $1.326 million in FY 2010 and $1.238 million in FY 2011. Mr. Skaggs said his concerns related to the marketing decrease. The Commission had to engage new companies considering locating in Nevada, and that outreach was normally funded by marketing dollars. As those dollars became more restrictive, it would be harder to recruit new companies.

Continuing his presentation, Mr. Skaggs said The Executive Budget reduced General Fund support for the Train Employees Now (TEN) program. The Commission had been working actively with the Department of Employment, Training and Rehabilitation (DETR) to bring other training dollars into the program.

Decision unit Enhancement (E) 610 was another concern of Mr. Skaggs. The decision unit recommended the elimination of four existing positions, including the deputy director position in the Las Vegas office. The position had responsibility for the EB-5 Visa program, a foreign direct investment program. Mr. Skaggs explained that the program looked at areas with 150 percent of the national unemployment rate and was used to get foreign investors to provide a minimum of $500,000 for a project. The investors and their qualifying family members would be offered the prospect, but not the guarantee, of lawful permanent residence in the United States. Mr. Skaggs indicated the EB-5 Visa program had been attractive for many groups to consider development, mainly in the Las Vegas area because of the size of some of the developments. Mr. Skaggs said the other area that would be restricted was the "normal business attraction where we are going to need to support that out of the Carson base."

Mr. Skaggs indicated the original FY 2009 allocation for the rural development authorities was approximately $1 million and was reduced to $695,000 for FY 2010 and FY 2011. The funding provided direct support to the 13 rural authorities, and because the rural authorities were small, the Commission often subsidized their operations by using a supplemental fund for that purpose.

COMMISSION ON ECONOMIC DEVELOPMENT
NEVADA FILM OFFICE (101-1527)
BUDGET PAGE - ECON DEV & TOURISM - 10

Mr. Skaggs began a review of BA 1527. The Nevada Film Office (Division of Motion Pictures) had established itself as one of the most successful film commissions in the United States. Mr. Skaggs said the return on investment of a 145 to 1 ratio for revenues versus expenses to attract films had been a benchmark of the Commission for many years. The average motion picture created a daily economic benefit of $125,000, a television series or reality programming had a minimum daily economic benefit of $60,000, and a 60-second commercial created a daily economic benefit of $100,000.

Mr. Skaggs referred to the *2009 Nevada Production Directory* produced by the Nevada Film Office (Exhibit D) and said the directory included information on Nevada companies that sold services to and supported the film companies. Mr. Skaggs noted that the businesses included in the directory would not exist without the Nevada Film Office. Nearly 1,500 productions in the state were served by the Nevada Film Office, generating more than $200 million in revenue to Nevada during the past two years. Mr. Skaggs said 2008 marked the ninth consecutive year that film revenue in the state exceeded $100 million.

Continuing, Mr. Skaggs referred to the Governor’s recommendation to replace room tax revenues with General Fund appropriations. Because the revenues were moved into the General Fund, Mr. Skaggs said he thought the Film Office should be supported by the General Fund. The Film Office would lose one unclassified associate film position that supported the entertainment cluster. The film base and people in the production directory generated simulations and video gaming, and the individuals developing the software were one of the Commission’s customer groups. Mr. Skaggs said he "wanted to grow that cluster."

Chair Arberry asked why the associate film position was being eliminated. Mr. Skaggs explained he had a budget reduction target of $400,000, and the only way to meet that target required personnel cuts. The entertainment cluster was one of the last programs added, and rather than removing a more traditional area, Mr. Skaggs said he elected to eliminate the associate film position.

The Chair asked for the rationale for merging the Commission on Economic Development with the Commission on Tourism.

Mr. Skaggs said the rationale for the merger was to blend two economic development agencies to find as many synergies as possible since both entities had marketing capabilities. The entities had different customer groups, which did not impact the majority of the full-time equivalent positions, and there seemed to be an opportunity to place the two agencies in one facility, the Tourism building, which would result in reduced overhead, a cut back to some degree in the accounting staff, and changes to a director's position. Mr. Skaggs referred to page 11 of Exhibit C which included information on the proposed merger. The dollar savings for FY 2010 was projected at $13,313 and in FY 2011 the savings would be $85,078. Mr. Skaggs acknowledged there was a discrepancy, noting the $85,078 was "a go forward number," but there were substantial relocation costs in the first year of the biennium. The Tourism building was an older building, and to absorb the Commission's needs for computer and telephone support, there would need to be extensive upgrades.

Chair Arberry referred to the proposal to eliminate the deputy director position in Las Vegas and asked how the development in Las Vegas Mr. Skaggs had discussed earlier in the meeting would be possible when staff would be located in Carson City.

Mr. Skaggs agreed that the Chair's concerns were valid and said the Commission shared the same concerns. However, Mr. Skaggs pointed out he had to do what was necessary to meet the constraints of the budget. He said in looking at the positions he had to take a look at a fair and equitable way to downsize. Mr. Skaggs explained he had looked at employees who had the opportunity to retire and said, "If I can take care of them and assist them out through our retirement structure, then that's the path I chose to do."

Chair Arberry asked Mr. Skaggs to address the reduction in funding for urban, rural, and inner-city development authorities. Mr. Skaggs explained that the allocation to the inner-city development authority was one of the more effective grants available for North Las Vegas and came from a legislative appropriation that flowed through the Commission. The Chair clarified that the reduction affected not only North Las Vegas but also the City of Las Vegas (Nevada Development Authority) and the Economic Development Authority of Western Nevada. Mr. Skaggs said the inner-city authority was "subject to the same cuts as the others" and would see a drop from the 2009 allocation of $250,000 to about $214,000 per year. The authority was, however, able to budget an effective program based on that $214,000 number.

Assemblywoman Leslie said she would like to hear from Mr. Clinger about the small amount of savings that would be realized through the merger of Tourism and Economic Development. She asked why the merger was being considered.

Andrew Clinger, Director, Department of Administration, said the $98,000 savings Mr. Skaggs referred to was the savings in the Economic Development budget. There was also savings in the Tourism account of approximately $268,000 over the biennium.

Assemblywoman Leslie referred to the recommended elimination of a deputy director position and said it appeared that position would be restored if the merger of the two agencies was approved.

Mr. Skaggs pointed out if the two agencies were merged, he would be Director of both organizations, and the deputy position would have to be reinstated to oversee the Commission on Economic Development. He agreed with Assemblywoman Leslie that there would not be any savings from initially removing the deputy position. Mr. Skaggs stated the cost to bring back the deputy position would be approximately $200,000.

Mark Stevens, Assembly Fiscal Analyst, pointed out that The Executive Budget recommended merging the Nevada Commission on Economic Development with the Nevada Commission on Tourism (NCOT), a recommendation that would require adding the eliminated positions back into the budget. Mr. Stevens asked why funding for the deputy position was not included in the budget.

In response to Mr. Stevens' question, Mr. Clinger stated it was his understanding that The Executive Budget included the staffing levels that the Budget Division was recommending.

Mr. Skaggs interjected and pointed out there had been two scenarios when the budget was constructed. The first scenario required a savings of $400,000 and included the recommendation to eliminate positions. Mr. Skaggs said the second scenario focused on the issues surrounding the merger. Noting that there would be just one director after the merger, Mr. Skaggs said that would produce salary savings and a reduction in administrative and receptionist duties.

Assemblywoman Leslie said she understood, but pointed our there was only one budget and that budget recommended merging the two agencies. She wanted to know whether funding was included in the budget for the deputy director position.

Mr. Clinger reiterated that it was his understanding that the staffing levels for the merger of the NCED and the NCOT as presented in The Executive Budget would not require an "add back."

Assemblywoman Leslie reiterated her concern and said the issue of funding for the deputy director position would have to be clarified with Fiscal Staff. She asked whether the savings resulting from the elimination of the positions was built into the budget. Mr. Skaggs answered in the affirmative.

Assemblywoman Buckley asked how the Budget Division planned to correctly fund the Film Office budget. She also asked whether there would be a budget amendment and, if so, when the amendment would be submitted. If not, what would be the recommendation regarding the continued existence of the Film Office.

Mr. Clinger said historically the Film Office was funded through a transfer from the Department of Tourism. That transfer was eliminated and the budget was not corrected on the film side to deal with the funding. Mr. Clinger said he did not have a recommendation as yet on how to correct the problem, but he indicated the Budget Division would work with the Governor's Office "this week" to arrive at a recommendation for the Committee.

Assemblywoman Buckley pointed out failing to correctly fund the Film Office created a "big hole" in the budget. She asked Mr. Clinger to provide the Committee with an update within the week.

Assemblywoman Buckley had concerns with the recommendation to merge the NCED and the NCOT since both agencies appeared to be completely separate endeavors. She also had concerns with the number of recommended staff reductions. Assemblywoman Buckley thought there needed to be a realistic and frank discussion about the recommended merger and said if the state could not afford the NCED and the NCOT, perhaps there should be one office that would be effective and "rely on other existing entities around the state to pick up the slack." Assemblywoman Buckley said she had studied economic development in other states during the interim and thought Nevada's plan for economic development was rather "pitiful" compared to some other states. She pointed out it was time for Nevada to take a strategic approach to economic development, especially at a time when Nevada had an economy that was not diverse. Assemblywoman Buckley pointed out that 60 percent of Nevada's budget relied on sales tax and gaming and tourism, and those revenues were in decline. She said it should not be a surprise that Nevada was number one in the nation in the size of its revenue decrease. Assemblywoman Buckley recognized Mr. Skaggs had been working with Assemblywoman Kirkpatrick on the issues.

Mr. Skaggs said one reason he accepted the position of Director of the NCED was because of the need for a more comprehensive plan for economic development. When he began as Director, the Department started a seven-month effort to rebuild the programs of the agency to be focused, efficient, and more dependent on the human mind than on the back of labor. Emphasis was placed on technology commercialization and the shortage of renewable energy. Mr. Skaggs pointed out there would be an opportunity for the state to integrate a system between the Desert Research Institute (DRI) and the universities to use the intellectual capacity in Nevada to develop ideas that would initiate the companies that would sustain the future economy.

Mr. Stevens addressed the issue of adding the deputy director position back into the budget if the commissions were merged. He read the narrative included in The Executive Budget for the Commission on Economic Development for decision unit E620:

> The request merges the Nevada Commission on Economic Development and Nevada Commission on Tourism. The merger results in the elimination of a part-time administrative assistant 2 position and all associated costs. If the merger is approved, one position, a deputy director, slated for elimination in E610 needs to be restored.

Mr. Stevens said based on the information included in the narrative the deputy director position needed to be restored. He noted the information just presented was in conflict with what the Committee had been told earlier and the issue needed to be resolved in some fashion.

The Chair asked Mr. Clinger to meet with Fiscal staff to resolve the issue of the deputy director position. Mr. Clinger agreed to the Chair's request.

Assemblywoman Gansert said she had concerns with the recommended merger of the Commission on Economic Development and the Commission on Tourism because it appeared there was a "new day" for Nevada in Economic Development with the renewable resources, and she did not want the mission and the intent of the organization to be diminished. Obviously there was a need for Nevada to diversify its base, and the state's plentiful renewable resources would be key. Assemblywoman Gansert said, "We need to look at this closely."

Assemblyman Goicoechea voiced concern over the recommended reductions especially as the reductions would affect the rural counties. There appeared to be a significantly bigger "hit" on rural economic development. Most of the opportunities, especially on the renewable side, would come from the rural areas.

Assemblyman Goicoechea indicated he had been very involved in economic development for the past 20 years and understood that a $21,000 appropriation for an economic development authority sometimes looked like it was "lost," and in some cases it might be. Assemblyman Goicoechea pointed out that some economic development authorities were doing a great job, and if cut "we will be cutting our nose off to spite our face."

Assemblywoman Buckley addressed the comments of Assemblywoman Gansert and Assemblyman Goicoechea and asked, with the limited resources available, "Can we be all things to all people?" She wondered whether it was realistic to operate a regular Economic Development office and an Economic Development office for renewable energy and continue to provide economic development incentives, such as abatements, during the budget crisis. Assemblywoman Buckley said renewable energy made sense and was where manpower, other budget resources, and incentives would be needed. The Legislature could then adopt a five- or ten-year commitment to renewable energy. Assemblywoman Buckley thought all of the policy issues needed to be examined in the context of the budget.

Chair Arberry agreed with Assemblywoman Buckley's assessment.

Assemblywoman Gansert pointed out that renewables were frontloaded with jobs, and many of those jobs would end once the renewables were established. She stressed the importance of balance. Assemblywoman Gansert recognized renewables were "a hot issue."

COMMISSION ON ECONOMIC DEVELOPMENT
RURAL COMMUNITY DEVELOPMENT 101-1528
BUDGET PAGE - ECON DEV & TOURISM - 16

Mr. Skaggs resumed his presentation and referenced BA 1528 (page 9 of Exhibit C). He explained that the agency could utilize the state appropriation, $257,681 for FY 2009, and draw the Community Development Block Grant (CDBC) federal funding from the U.S. Department of Housing and Urban Development (HUD) in the amount of $2,752,188 to be used for infrastructure throughout rural Nevada. The funding allowed the rural areas to be more competitive and was a major contributor to the quality of life. Mr. Skaggs pointed out that Mineral County had been the recipient of one of the largest awards, a $3 million grant to extend water and wastewater infrastructure. Mr. Skaggs said, "We actually have a great opportunity to grow our military mission."

COMMISSION ON ECONOMIC DEVELOPMENT
PROCUREMENT OUTREACH PROGRAM 101-4867
BUDGET PAGE - ECON DEV & TOURISM – 22

Mr. Skaggs began his presentation of the Procurement Outreach Program (POP), BA 4867. As part of its match agreement formula with the Defense Logistics Agency, the program required an approximate $88,000 annual allocation from the state's General Fund "to match approximately $400,000 of Department of Defense monies." Mr. Skaggs pointed out that every state dollar invested in the program returned $136,263 back to Nevada in the form of new contract dollars awarded to businesses in the state. Mr. Skaggs said in FY 2008 clients of the POP received 735 contracts valued at $120 million.

In conclusion, Mr. Skaggs referred to the new business plan he had addressed with Assemblywoman Buckley and said he wanted to assure her that the NCED placed a heavy emphasis on renewable energy. The bottom line was that 128,000 of Nevada's residents were out of work, and Mr. Skaggs said if the new business plan was not going to work he would not keep that strategy around for long. Mr. Skaggs thanked the Committee members for their attention and engagement and said he looked forward to future discussions.

Chair Arberry referred to decision units E660, E663, E664, and E665 and said to meet budget reduction requirements for FY 2009 the Commission reduced the allocations to the development authorities by $1.4 million to $2.1 million, a larger reduction compared to the allocations recommended by the Governor for each fiscal year of the 2009-2011 biennium. Chair Arberry asked Mr. Skaggs to provide an explanation of the allocation reductions.

Mr. Skaggs referred to the Economic Development Fund (EDF) and said during the fall of 2008, when looking for ways to meet the budget needs, the NCED looked at the balances in the EDF of projects not having any activity and allowed those funds of approximately $1 million to be swept. The $1 million from the EDF was different from the $1 million appropriation to the rurals that occurred at the beginning of FY 2009. Mr. Skaggs explained that the EDF was specific to projects, and there was a lengthy process before the Commission allocated awards. Three of the projects "were not getting traction" because of the failing economy and did not meet the required match. Mr. Skaggs said the $1 million from the EDF projects was swept, as well as the monies for rural development.

Chair Arberry asked why the allocation reductions to the rural development authorities were approximately 30 percent, which was significantly greater than the 14 percent reductions made to the urban and inner-city development authorities.

Mr. Skaggs said he was trying to accomplish having performance-based funding of the rurals and said he would prefer to not award any funds until there was a strategy presented by those organizations that made sense relative to today's economic conditions. Mr. Skaggs said he was aware that the funding that went to the Nevada Development Authority (NDA) and the Economic Development Authority of Western Nevada (EDAWN) provided the most advertising and produced the most "deal flow" (business interest in economic development proposals). Mr. Skaggs said he "did not focus on rural/urban distinctions" and pointed out that marketing funds going to the NDA and EDAWN would help all areas throughout the state.

Assemblyman Goicoechea referenced an earlier proposal to fund EDAWN and NDA and voiced concern that other areas would "become just a piece of that," which would not work for rural Nevada. He pointed out that many of Nevada's counties did not border either Washoe or Clark County. Assemblyman Goicoechea thought EDAWN and NDA would take the good projects, even though a project might be a better fit in Elko or Winnemucca. If the focus was going to be renewable energy and the jobs that would be created through renewable energy, it would not happen on the Las Vegas Strip or in Reno, it would happen in the rural areas. Assemblyman Goicoechea pointed out there were some very good programs in rural Nevada, and "if you hold their feet to the fire, you will get more."

Mr. Skaggs said he shared the sentiments of Assemblyman Goicoechea and said he was working with Alltel in mining communities to create a way to work together to limit joblessness in Nevada. Mr. Skaggs said he was attempting to have the flexibility to put some money into the area around Carson City and Lyon County. From an economic development standpoint, the state received a lot of "deal flow" into the rural areas from the two metros. Only the two metros had significant advertising money. Mr. Skaggs said he would address the concerns of Assemblyman Goicoechea.

Assemblywoman Leslie said she was attempting to add up the "holes" in the budget. She said there was a $1.44 million hole in the Film Office that needed to be filled and $227,000 needed to be added for the deputy director position. Additionally, $300,000 was needed in the next budget for two positions. It appeared $2 million was needed for merging the NCED and the NCOT. Assemblywoman Leslie agreed with Assemblywoman Buckley that policy-wise the merger did not make sense. Assemblywoman Leslie said she was beginning to question the purpose of the recommended merger and encouraged the agency to go back to plan A, which would require rebuilding the budgets.

Mr. Skaggs said he would have a proposal ready for the Committee by the following week.

Mr. Clinger recognized there was a problem with the Film Office. He said he had not been aware of the narrative and the way it was presented. Mr. Clinger said he would review the organizational charts of the agencies and look at what the Budget Division had recommended to make certain there were not "holes" related to the positions. Mr. Clinger said he was not certain the narrative reflected the intent.

Assemblywoman Leslie pointed out that a case had not been made to merge the NCED and the NCOT and referenced the $2 million required to fix the problems with the budget. She questioned the reason for merging the two agencies if it did not make sense policy-wise or if there was no savings.

Mr. Clinger pointed out there would be a savings in the Film Office budget. A significant savings would result from redirecting the room tax revenue from Tourism to the State General Fund and through the reductions included in the Commission on Tourism's budget. Mr. Clinger recalled that the net savings was approximately $10 million.

Chair Arberry asked Mr. Clinger to work with Fiscal staff to resolve the issue.

COMMISSION ON TOURISM
TOURISM DEVELOPMENT FUND (225-1522)
BUDGET PAGE - ECON DEV & TOURISM – 27

Steve Woodbury, Interim Director, Division of Tourism, began an overview of the budget for the Nevada Commission on Tourism (NCOT) (Exhibit E) and said the purpose of the Commission was to increase travel and tourism to the state from both domestic and international markets and to generate revenue for the state. The NCOT had a unique role and was the only entity that worked to attract tourism throughout Nevada with emphasis directed to rural Nevada. Without the NCOT, much of rural Nevada would have no means to promote its tourism economy. Mr. Woodbury said the NCOT staff was passionate about the work and strived to measure everything. Staff was comprised of a dedicated team of professionals who worked diligently to generate revenue for the state. Areas that would not result in revenue for the state were not considered. The agency was focused on a return on investment.

Mr. Woodbury referenced the challenging financial times the state was experiencing. As with all state agencies, the NCOT looked for savings and created efficiencies. Mr. Woodbury noted that the NCOT realized there was a need for budget cuts to help close the budget gap and wanted to be a part of the solution. The NCOT, along with the other tourism-promotion partners throughout the state, generated revenue for Nevada and would use whatever resources were available to continue doing so.

Mr. Woodbury referred to the marketing and advertising office and said:

> Through this department we create and maintain Nevada's brand and promote our tourism attractions. We advertise in print, television, radio, and the Internet to drive traffic to our websites and fulfill consumer requests for information. Our advertising is effective. We generate about $20 in state and local tax revenue for every $1 spent on advertising. Last year we generated $92 million in state and local tax revenue for the State of Nevada, $68 million of which went to the General Fund. We measure everything we do and continually adjust our strategy. Our research shows that our advertising effectiveness increased last year. More people were aware of our ads and influenced to visit Nevada.

Continuing, Mr. Woodbury said:

> Some of the most exciting things we are doing involve the Internet. Last July we launched our new site with more features and content than ever. The site has statewide information that focuses on rural communities. Sixty of Nevada's communities now have their own page with detailed information. These pages provide an overview of the community events, hotel information, photos, videos, and more. We have also been very active in search engine optimization to achieve high rankings in the various search engines and drive more traffic to our website. Our efforts have been very effective. In fact, you have in your packet a copy of an Entrepreneur Magazine article (Exhibit F) that highlighted what we have done in search engine optimization. In the month of December 2007, we had 9,000 visits to our website as a result of the search engine optimization efforts. Last December the figure jumped to 29,000. We beat our competition. TravelNevada.com had more than twice the visits that California, Oregon, and Washington had to their websites. This is a significant accomplishment considering California has a $50 million budget dedicated to marketing their state.
>
> The mobile web is another exciting area we have devoted significant resources to. The mobile web enabled users to get Internet information on their cell phones and Blackberries. There are 40 million in the U.S. alone who are doing this. The NCOT recognized the need to break into this new medium. Last September we launched our first mobile website, NVSKI.mobi. The new site provides consumers on the go with up-to-date ski, road, and weather conditions and hotel information. When searching on Google using the key phrase word "ski mobile website," our website comes up first. The NCOT has also acquired the domain

> NV.mobi, which will be a reflection of our main website when it launches later this year. The world's largest wireless trade show, CTIA (The Wireless Association), is going to feature our mobile website in Las Vegas next month.

Mr. Woodbury referred to sales and industry partners and said:

> Through this department we administer the rural grant program which assists rural Nevada with matching grants to promote its tourist attractions and to provide technical assistance. We work with a statewide network of tourism professionals to promote Nevada's wide variety of tourist attractions. In many cases, the funds we provide constitute the entire marketing and advertising budgets for these small communities. The economic impact of our efforts amounts to hundreds of millions of dollars for rural Nevada communities. We also sell Nevada as a tourist destination at major travel trade shows in both the domestic and international markets. We collaborate with our urban partners, such as the Las Vegas Convention and Visitors Authority and the Reno Sparks Convention and Visitors Authority. These urban entities sell their respective destinations, and the NCOT sells the state as a whole, focusing on rural Nevada.
>
> We oversee our international representatives in key markets. At the beginning of the current fiscal year, the Commission partnered with the Las Vegas Convention and Visitors Authority to negotiate new agreements for international representation. Without increasing costs, we acquired additional representatives in Nevada's leading international markets. The scope of work for these offices includes getting news coverage, providing information on the Internet, distributing brochures, conducting sales missions, and bringing groups of travel journalists and tour operators to Nevada to show them our attractions first hand. Last week we hosted a group of travel journalists from South Korea and let them experience attractions in the Reno-Tahoe area. They will write about their experiences and publish the stories and pictures in newspapers and travel magazines, and this will encourage more South Koreans to visit Nevada and spend their money here. As you know, the United States granted visa waiver status to South Korea last November, and that is why we seized this opportunity to get their business. Flights from South Korea had increased recently to the U.S. even though the number of flights from many other countries has decreased. This illustrates our need to be responsive to current market conditions and opportunities.
>
> Several months ago, with the economy worsening, we took a proactive approach and launched a sales blitz that targeted key markets in the western states. We promoted the new tourism attractions in Las Vegas, Reno-Tahoe, and rural Nevada.

Mr. Woodbury continued his presentation with respect to media relations and said:

> Through this department we communicate constantly with news and travel media worldwide to promote Nevada as a tourist destination. We conduct tours to familiarize travel journalists with Nevada. We visit travel magazine and newspaper writers and

> editors to pitch stories about Nevada. These efforts generate print, broadcast and Internet media coverage at little cost to the agency that ultimately tracks more visitors to Nevada. Last year we generated news and travel stories about Nevada valued at $48 million, which is a cost if we were to purchase equivalent space as advertising, and exposed hundreds of millions of consumers throughout the world.
>
> Nevada Magazine is the NCOT's publications division. In addition to publishing the magazine itself, Nevada Magazine provides editorial services and produces other printed pieces for the Commission.

Mr. Woodbury continued his presentation and referred to the competition and challenges of the NCOT:

> With fewer flights and a struggling economy, the competition for tourism dollars is extreme. During this period of intense competition it is critical that we use every available dollar to aggressively market the state. We estimate visitation to Nevada was down 6.2 percent last calendar year, ending with 51.3 million visitors. Yes, the numbers are down, but the message is that many people are still traveling, and we need to aggressively promote to them or they will go somewhere else. As we all know, Nevada is the economic engine of the state. Nevada's economy is more dependent on tourism dollars than any other state. Nearly one-third of all employment in Nevada is related to tourism. Yes, we need to further diversify Nevada's economy, but we also need to sustain our number one industry. The Commission on Tourism recognizes the state's dire economic circumstances, and we are striving to create efficiencies and cut costs.
>
> In the current year the NCOT cut $3 million from our budget to increase our reserve for reversion to the General Fund to comply with A.B. 1 of the 25th Special Session. Prior to that, we had cut $1.5 million from our budget due to lagging room tax receipts. On top of these cuts, based on our latest room tax projections, we will have to cut an additional $868,000 this year. We cancelled the Governor's Conference, (and) eliminated our advertising agency and public relations contracts.

Chair Arberry interjected and asked Mr. Woodbury to restate his testimony related to the room tax.

Mr. Woodbury said based on the preliminary January and February projections received last week for room tax, the agency anticipated having to cut an additional $868,000 from its FY 2009 budget. The agency was in the process of identifying what areas could be cut.

Returning to his presentation, Mr. Woodbury said:

> We cut travel, eliminated sponsorships of a number of events, and held some vacant positions open. Our portion of The Executive Budget includes a number of additional recommendations intended to help solve the state's shortfall. Number one: merging the agency with the Nevada Commission on Economic Development. As indicated in decision unit E620 our

agency's portion of the savings from the merger would be $115,000 in the first year and $185,000 in FY 2011. The savings in the first year is less because of one-time costs to make the merger happen. Number two: changing the NCOT funding source from a dedicated percentage of room tax, currently 3/8 of 1 percent to a General Fund appropriation. Number three: decreasing overall funding for the agency by approximately 60 percent, including the elimination of 1/3 of the Commission's staff. Under this plan many program activities are slated to be eliminated or drastically scaled back. This budget reduces funding to purchase publications and editorial services from Nevada Magazine. Four Nevada Magazine positions would be eliminated as a result. Nine positions in BA 1522 are scheduled to be eliminated with associated duties either being discontinued or, to the extent possible, absorbed by other staff members. Seven of the reductions will result in layoffs. The positions are three development specialists, two project analysts, a management analyst, an administrative assistant, an accounting assistant, and another administrative assistant. Without these positions, we will be less able to sell Nevada as a tourism destination; assist rural Nevada through the rural grant program; provide internal IT support, accounting services, reception, and other administrative support; develop social and interactive media marketing tools; and conduct various research and analysis. In addition to these reductions, the budget proposes to transfer two positions, an art director and a project analyst from budget account 1530 to budget account 1522. This is a housekeeping item; these positions already work for the Commission and are funded 100 percent by the Commission.

Mr. Woodbury referred to the agency performance indicators, which were included in the Expanded Program Narrative (Exhibit G), reflected the budget reductions and showed the projected amounts based on the funding provided in The Executive Budget. The measures proposed in the budget would create savings, but would also have an impact on consumer awareness of Nevada as a tourist destination. Rural Nevada would suffer the greatest impact.

Mr. Woodbury referred to the budget reductions by category and impact as follows:

Marketing and Advertising

- Reducing overall awareness and exposure of the State of Nevada as a tourist destination because of conducting fewer familiarization tours with travel journalists and tour operators, resulting in fewer stories and articles written about Nevada and less push by the tour operators to visit Nevada.
- Eliminating all cooperative advertising for special events, such as the Reno-Tahoe Open, Celebrity Golf, and the Red Rock Rendezvous.
- Eliminating or reducing the number of brochures printed or purchased for brochure racks or provided to consumers requesting information.
- Reducing memberships and participation in trade organizations and events, such as the Western States Tours and Policy Council, United States Travel Association and Policy Council, National Park Hospitality Association, and others.

- Eliminating or reducing research related to international visitation, economic output, information about types of visitors and other information used to make improvements to the marketing campaigns.
- Reducing advertising. Studies of actual people who visit Nevada who say they were positively affected by our advertising show that for every $1 spent on advertising, $20 dollars is generated in state and local revenue. This budget reduces funding for advertising placements by more than $2 million over the 2009-2011 biennium, which could result in a loss of $40 million in state and local tax revenue.

Out-of-State Travel

- A lowering of influence and exposure because of little or no presence in meetings with the United States Travel Association, Department of Commerce, the Western States Policy Council, and other national tourism organizations, and little or no presence at trade shows and conferences such as the Quartzite RV Show, National Tour Association, United States Tour Operators Association, and the Japan Association of Travel Agents.

Outside Postage

- Not fulfilling 244,000 consumer requests for information; 83,000 information packets would be mailed instead of 327,000.

International Trade and Tourism

- Reducing the number of representative offices in Japan and South Korea and scaling back the China contract, which will result in less international representation and diminished exposure through trade shows, sales missions and familiarization tours.

In conclusion, Mr. Woodbury briefly reviewed projections for room tax receipts (Exhibit H). He said the NCOT was fairly confident the receipts for FY 2009 would be slightly over $16 million, down approximately 15 percent from FY 2008. For FY 2010 room tax receipts were projected to decrease by an additional 3 percent to $15.7 million. The room tax receipts for FY 2011 were projected to increase to $16.2 million. Mr. Woodbury emphasized how difficult it was to project the receipts for FY 2011.

Assemblyman Conklin asked for clarification on the projections for room tax receipts. Mr. Woodbury said the Department expected to end FY 2009 at $16.2 million, which would be 15 percent lower than the amount received in FY 2008, and the projection for FY 2010 was 3 percent below the amount estimated for FY 2009. Mr. Woodbury pointed out that the agency coordinated closely with the Reno-Sparks Convention and Visitors Authority (RSCVA) and the Las Vegas Convention and Visitors Authority (LVCVA) in developing the projections, but he indicated the agency would also be happy to work with Fiscal Analysis Division staff on the projections.

Assemblywoman Leslie said the budget, as submitted, included $17.7 million in FY 2010 and $18.7 million in FY 2011 for room tax receipts and LCB staff had asked how the Executive Branch had arrived at the 3/8 share of 1 percent and the projection for the Initiative Petition 1 ballot question because it looked as if two different methodologies were used. A memorandum from the Budget Division indicated LCB staff was correct, and the projections for the 3/8 share of 1 percent should be $20 million in FY 2010 and $21 million in

FY 2011. The revised projections for room receipts, just presented by Mr. Woodbury were $15.7 million and $16.2 million.

Mr. Woodbury said he thought Assemblywoman Leslie was referring to staff's projections for the current biennium. He emphasized there were no projections of which he was aware that were close to $20 million or $21 million. Assemblywoman Leslie indicated that she kept track of the holes in the budget and asked what the real hole was in room tax revenues from the advisory question and the proposal to transfer to 3/8 of 1 percent receipts to the General Fund. She pointed out the room tax revenue numbers were getting worse and the gap "was getting to be a big number."

Andrew Clinger said the revised projections on not only the advisory portion of the room tax but the 3/8 share of 1 percent that currently goes to the NCOT, were made in December 2008. Mr. Clinger pointed out that all of the Division's projections "were not keeping up," and he was concerned that by May 1, 2009, the revenue forecasts would have continued to decline.

Assemblywoman Leslie said she understood, but the numbers she was referring to were dated February 24, 2009, and she reiterated that the numbers were $20 million and $21 million. Mr. Clinger said the new forecast was received on Friday, February 27, and was based on the Commission on Tourism's forecast, which was different than the Budget Division's forecast.

Assemblywoman Leslie asked when there would be a projection that could be used. She asked about the projections of a $50 million shortfall for the advisory question revenues. Mr. Clinger said the number Assemblywoman Leslie received for the advisory question was generated by Fiscal staff and he noted that six months down the road those projections could also be wrong.

Assemblywoman Leslie asked Mr. Clinger what his projection was. Mr. Clinger indicated the Budget Division had sent a memo indicating the number projected by LCB staff for the advisory question was "not off" given the current economic climate. Assemblywoman Leslie asked whether the $30 million figure was the number he would report today. Mr. Clinger replied that it was and said, "You could re-project every week." Assemblywoman Leslie pointed out having the number change from $30 million to $50 million was a huge difference. Mr. Clinger said the difference was due to a comparison with the December figures. Assemblywoman Leslie asked whether Mr. Clinger would be submitting a budget amendment. Mr. Clinger said, yes, and indicated he would provide the information to the Committee as soon as possible.

Assemblywoman Buckley emphasized the importance of the Committee having a firm date. Mr. Clinger said he thought the Budget Division needed some time to develop the projected number given the revised room tax forecast and the pull back on the marker issue and noted, "These are significant holes." Assemblywoman Buckley said it appeared the earliest the members would receive the information would be March 16. She noted the Committee planned to try to close budgets preliminarily by the third week of March.

Mr. Clinger said he thought there was some concern on the Economic Forum forecast that would be received in May. He said, "We could solve this hole today or March 16, and be back May 1 and have an even greater hole."

Assemblywoman Buckley said it seemed likely that the Economic Forum would reduce revenue projections.

Assemblywoman Leslie thought the Committee needed to have a contingency plan. She asked whether the Budget Division planned to have additional budget cuts in order to fill the $50 million hole discussed during the hearing. Mr. Clinger said he did not know how else to address the shortfall. Assemblywoman Leslie said the members needed to know as soon as possible what cuts would be required.

Assemblywoman Buckley asked for additional information on the proposal to scale back the China office. Mr. Woodbury said the budget for the China office would be cut by approximately 50 percent. International visitors stayed longer and spent more money than other visitors. Many domestic flights had been decreased, but some countries were increasing flights to the United States, including South Korea. Flights from Brazil had increased by 30 percent. The NCOT did not have representation in Brazil, but staff had attended a sales mission in cooperation with some other tourism promotion entities because things were going well in Brazil and flights were increasing. Mr. Woodbury thought it was important to keep a mix of domestic and international markets.

Based on the recommended budget reductions for the NCOT, Assemblywoman Buckley said she thought it was time to reevaluate the Department's mission to determine what could and could not be done. It might make sense to focus more on rural Nevada and what could be done to market rural Nevada. Assemblywoman Buckley thought the NCOT needed to strategically reevaluate the agency's mission. She recognized the Commission could not do much with a skeletal staff and it was important to reevaluate.

Mr. Woodbury agreed with Assemblywoman Buckley's assessment and pointed out the Commission was continually evaluating the mission of the NCOT. He mentioned that the $3 million that was cut from FY 2009 was in accordance with A.B. No. 1 of the 25th Special Session. Mr. Woodbury said it appeared the $3 million cut was duplicated in The Executive Budget. The NCOT had included the $3 million reduction in one area of the budget, and it appeared the Budget Division had included the reduction in another area—there might be duplication. The NCOT had been working with the Budget Division to resolve the issue.

In response to a question posed by Assemblywoman Buckley, Mr. Woodbury said the discrepancy was in BA 1522 (Tourism Development Fund). Mr. Woodbury said the agency believed the $3 million in cuts to programs were included in two different places in The Executive Budget. The cuts in BA 1522 were shown in two different decision units, Maintenance (M) 150 and (E) 610. Assemblywoman Buckley said the Committee would analyze the budget and thought Mr. Clinger would also.

Janet M. Geary, Publisher, Division of Publications, (Nevada Magazine), Commission on Tourism, began her testimony and said Nevada Magazine had been in existence for 73 years. The agency's mission was to educate the general public about Nevada and foster awareness and appreciation of Nevada's heritage, culture, history, and natural beauty. Ms. Geary referenced her handout (Exhibit I) which included the January/February 2009 and March/April 2009 issues of *Nevada Magazine,* the November/December 2008 *Events and Shows Holiday Events Guide,* and a brochure containing Nevada Magazine advertising information.

Continuing her presentation, Ms. Geary said advertising and subscription revenue and sales to the NCOT offset the expense of publishing the magazines. The NCOT purchased magazines for inclusion in its fulfillment packages and paid for printing the *Events and Shows* magazine. The NCOT would not be able to purchase *Nevada Magazine* and fund printing of *Events and Shows* magazine if the Governor's recommended budget was approved, which would result in a significant reduction to the agency's budget. The Executive Budget recommended a decrease in staff from 11.43 full-time equivalent (FTE) positions to 6.65 FTE positions. The positions recommended for elimination included an associate editor, two part-time marketing positions, a production employee, and a 10 percent reduction in hours for our advertising person.

Assemblywoman Leslie asked whether *Nevada Magazine* could remain viable with the recommended cuts. Ms. Geary replied: "We certainly think we can; I think we owe it to our readers and our advertisers to do so." Ms. Geary did not think the size of the magazine would change much, however paper weight would be reduced. The agency was reducing printing costs. The reduction in paper weight and the number of magazines printed would result in a reduction of postage expenses. The agency would have to relocate to a smaller, less expensive facility, and the freelance photographers and freelance writers would not be funded.

Assemblywoman Gansert asked whether there had been consideration of publishing *Nevada Magazine* quarterly, rather than every other month. Ms. Geary said the option had been considered, but publishing quarterly would reduce advertising revenue, which paid for printing the magazine and would not reduce costs by a corresponding amount.

Assemblywoman Smith referred to the outside postage and asked what would happen if the NCOT did not have the funding required for providing information to individuals from other states. Mr. Woodbury pointed out that all of the states fulfilled consumer requests for travel information. With the reduction in outside postage, the NCOT would only be able to send out 83,000 information packets instead of the current number of 327,000. Mr. Woodbury indicated the NCOT would direct people to the website to download the information digitally.

Assemblywoman Smith requested information on the NCOT's relationship with the office in Taiwan. Mr. Woodbury said the NCOT had participated with the Taiwan office in a few events but did not have an ongoing, active relationship with the office. Assemblywoman Smith said it was critical to know what that office was doing and how they were representing their relationship with the NCOT.

Hearing no further questions on the NCOT budget, Chairwoman Smith opened the hearing on Assembly Bill 7

Assembly Bill 7: Makes appropriations for certain public health programs. (BDR S-212)

Shelia Leslie, representing Washoe County Assembly District No. 27, Reno, Nevada, said she was present on behalf of the Legislative Committee on Health Care to present Assembly Bill (A.B.) 7. Assemblywoman Leslie indicated it was important to have the bill on the agenda and pointed out when the bill draft request was approved during the interim, the Committee members had no idea what the fiscal situation would be even though there had been some budget cuts. Two of three items requested under A.B. 7 were items that were approved by the Committee and the 2007 Legislature, but were eliminated during the budget cuts.

Continuing, Assemblywoman Leslie said she would present A.B. 7 in three parts. The first part included an appropriation for a study on certain services for persons in the criminal justice system. The Legislative Committee on Health Care had delved into the issue of behavioral health, which included substance abuse and mental health issues in the prison system. The Committee was advised in 2006 that the population of Nevada's prisons was projected to increase 61 percent over the next 10 years, one of the fastest growing prison populations in the country. Assemblywoman Leslie pointed out the growth had evened out. The Council of State Governments Justice Center had provided free technical assistance to develop an analysis of the prison population and strategies to avert the growth. The Council completed an analysis on ways to improve public safety through more effective substance abuse and mental health treatments for the prison populations. Some of the information provided during the interim was important for the Committee to have, particularly for the prison budget. As of March 26, 2007, the percentage of male and female prison inmates in Nevada with a mental health diagnosis was 29 percent, almost twice the national average; 10.5 percent of offenders were classified as having a co-occurring substance abuse problem and a mental illness. The majority of people incarcerated or under community supervision in Nevada had substance abuse problems, and many had co-occurring mental disorders.

Assemblywoman Leslie stated that the Justice Center found key challenges in Nevada’s prison system. There was no routine validated screening tool or assessment process to determine behavioral health needs. The state recognized individuals had problems, but did not know how to meet their needs. The Department of Corrections had provided information on the behavioral health needs of inmates that was not transferred to parole and probation when inmates were released. What little information that was available on an individual who served time in prison did not follow the inmate into the community. Assemblywoman Leslie pointed out many parole and probation officers were not trained in behavioral health issues and could not devote special attention to individuals needing assistance because many had extremely high caseloads. Nevada also had a large problem with access to services limited for probationers and parolees who could not get into out-patient substance evaluation and treatment, detoxification, residential inpatient treatment, and other types of mental health services. The barriers to services included lack of funds for payment, lack of insurance, transportation challenges, and problems with employment.

Assemblywoman Leslie said the Committee had decided to request an appropriation of $100,000 for the Justice Center or a similar type organization and said she was a volunteer member of the Board of Directors of the Justice Center and was heavily involved personally with the issues. Continuing, Assemblywoman Leslie said the Committee hoped consultation with the Justice Center would result in specific information on how to modify or institute new screening and assessment instruments within the Department of Corrections and Parole and Probation to more accurately identify individuals with behavioral health disorders. Assemblywoman Leslie said the funding would be used to:

- Develop processes to improve the Department of Corrections' behavioral health reentry planning.
- Identify evidence-based practices, including integrated treatment for offenders with co-occurring disorders.
- Develop suggestions for a "systematic way" of linking probationers and parolees by need and risk to available and appropriate treatment.
- Clarify the role and the need for expansion of specialty courts.

- Identify fiscal incentives for community-based treatment providers to prioritize treatment for offenders.
- Institute cross-training for court parole and probation and behavioral heath staff.
- Develop collaborative mechanisms between the mental health agencies, the Department of Corrections, and the Department of Public Safety.
- Develop performance measures and evaluation strategies.

Assemblywoman Leslie said the Health Care Committee felt that in a perfect world with available funding, the Committee would move forward with detailed analysis that would greatly improve the behavioral health of individuals in the prison system. Recidivism would certainly be reduced if individuals received substance abuse treatment and mental health treatment.

Assemblywoman Leslie referenced the remaining two parts of A.B. 7. She noted the state's Medicaid program was "dead last" in per capita spending and almost last in the percentage of people eligible for Medicaid who were actually enrolled. When an economic crisis hits, there was very little that could be cut in Medicaid. Several enhancements provided by the 2007 Legislature were either cut back or eliminated. One was the Health Insurance for Work Advancement (HIWA) program that allowed disabled individuals to work and continue to maintain their Medicaid coverage.

Assemblywoman Leslie said the other item in A.B. 7 that the Health Care Committee wanted to request funding for was the Traumatic Brain Injury program. She recalled that the 2007 Legislature approved a waiver, an adjustment to the Waiver for Independent Nevadans (WIN) plan, to allow more services for clients. Assemblywoman Leslie said, "Currently, these folks are not being served because we did not implement this program and instead they are living in skilled nursing homes, out-of-state placements, and mental health facilities." Assemblywoman Leslie stated that the Health Care Committee was a bipartisan, six-member committee. Three Assemblymen and three Senators voted to come forward with the proposals; these proposals were important when approved during the last legislative session and continued to be important. Assemblywoman Leslie recognized there was not funding available, but the clientele were people in "our communities, our constituents who are not getting services that they need." Assemblywoman Leslie said she would be happy to answer any questions.

Assemblyman Hogan referred to the analysis conducted by the Council of State Governments Justice Center and asked whether the study would provide data related to the scope and depth of the problem of returning veterans who had suffered various mental impairments as a result of combat or service.

Assemblywoman Leslie said Assemblyman Hogan's question was important. She said the Committee would be able to request the information related to returning veterans from the Justice Center. Assemblywoman Leslie indicated the court system where she was employed routinely asked offenders whether they were veterans to "try and match them up" with services. Many times individuals did not disclose whether they were veterans—it was a complicated situation. The Committee could request that the Justice Center conduct a special inquiry related to how veterans were treated in the prison system and whether they connected with the services upon release from prison.

Jon Sasser, representing Washoe Legal Services and the Washoe County Senior Law Project, said he was also the Vice Chair of the Strategic Plan Accountability Committee (SPAC) for people with disabilities. Mr. Sasser said the HIWA program and the Traumatic Brain Injury (TBI) services had long been high priorities of the SPAC, which had worked hard during the 2007 Legislature to get the appropriations approved "that were lost as part of the budget crunch after you went home."

Mr. Sasser said the TBI program served individuals who, without the program, would often be located in out-of-state placement at rates higher than what they would be within the state. Some individuals were required to move to another state to receive services. The Adult Day Care program allowed relief for families from 24-hour responsibility. During the day, TBI individuals had a place to go and be active and then return home at night. Mr. Sasser pointed out one of the largest groups with traumatic brain injuries were individuals returning from Iraq. Nevada did not have programs for returning veterans.

Mr. Sasser referred to the HIWA program and said in 1999 there was an interim study related to persons with disabilities. The key program resulting from the study allowed persons with disabilities to work and receive health care. The program had gone through a series of changes. Because there was fear in the beginning that the HIWA program might be expensive, the criteria for meeting the qualifications for the program were so strict few could qualify. As a result of the tight cap on individual's unearned income, people who had a Supplemental Security Income (SSI) level or less could go back to work under Medicaid. People who worked long enough to receive a small amount of social security with an income between $600 and $700 monthly could not qualify. During the 2007 Legislative Session the unearned income cap was removed, but because of the budget crunch the program was not funded.

Mr. Sasser pointed out there was approximately $206 million in additional Federal Medical Assistance Percentage (FMAP) funding that was not committed, and he encouraged the Ways and Means Committee to support the program, a program that was not an enhancement but rather a continuation of a program the members had considered to be good policy since 2001. Mr. Sasser asked for the Committee's consideration of restoration of the TBI services and the HIWA program.

Assemblyman Hardy asked for additional information related to testimony on sending traumatic brain injury individuals out-of-state at a higher rate.

Mr. Sasser said he thought someone from the Medicaid office would have to address Assemblyman Hardy's question. He explained there was not a set rate attached to out-of-state placements—the rates had to be negotiated.

Paul Gowins, representing the public, said he wanted to talk about the policy issue and wanted to emphasize that "we get caught in this enhancement issue:" enhancements often were not included in the budget, a serious problem especially for the HIWA program. Mr. Gowins recalled that in 1997 the state received federal grants between $250,000 and $500,000 to develop the program and implement the policies, which allowed the Medicaid determination system to incorporate TBI individuals. Mr. Gowins thought a person with a disability who wanted to return to work and needed the kind of services provided by Medicaid would no longer have that opportunity.

Mr. Gowins stressed the importance of A.B. 7 to the community and said it was important enough that the SPAC Committee had put the head trauma program and the HIWA program as things they wanted among all the programs being cut. He said the HIWA was more than just a budget "cut" issue; it was a policy issue for the SPAC Committee. Mr. Gowins said the program could be limited as before and slowly expanded, but the current policy "totally eliminated the services."

Mr. Gowins addressed Assemblyman Hardy's earlier concern and said one issue related to head trauma was that an individual could not be trained to function in one environment and then move to a different environment. For example, an individual trained to use a bus route in Colorado could not move to Las Vegas and be expected to use the training received in Colorado, a serious issue for people with head trauma.

Mr. Gowins asked the Committee to move A.B. 7 forward. The funding could be absorbed into the Medicaid program and probably would not make or break Medicaid. The funding issues in both the HIWA program and the TBI program would make or break the opportunities to get out of a situation that was unbelievably devastating to families and individuals. In conclusion, Mr. Gowins pointed out a group from southern Nevada had wanted to testify in support of A.B. 7 but could not make it to the hearing.

Jack Mays, Executive Director of the Nevada Disability Advocacy and Law Center, said Mr. Sasser and Mr. Gowins both did an excellent job of explaining the issues. Mr. Mays added his agency had visited other states to meet with individuals with traumatic brain injuries who had been placed out-of-state. Individuals located in other states who were supported by Medicaid and wanted to return to Nevada for treatment experienced a process which still took two years, even though everyone was in agreement with the move. Anything that could be done to keep individuals with traumatic brain injuries from leaving Nevada for treatment would be beneficial to those individuals. Mr. Mays said families were separated and the disabled were forced out-of-state just to receive services. In conclusion, Mr. Mays asked the Committee to assist in the expansion of the HIWA program to include helping the disabled find employment, which would benefit the state and the economy.

Assemblywoman Leslie pointed out that the Committee members had copies of emails from individuals in Las Vegas who were unable to be present to provide testimony. The emails were forwarded by Dawn Zito for Jamie Ballard and Valarie Davis-Parris and Bob Hogan for Michael and Shelley Maupin. Ms. Leslie said she would like to enter the emails into the record (Exhibit J) along with a letter from the Nevada Governor's Council on Developmental Disabilities (Exhibit K) that also supported the services as well.

Elizabeth Aiello, Deputy Administrator, Division of Health Care Financing and Policy, pointed out the average cost per day for an out-of-state nursing facility was $230. The in-state residential treatment, which included a rehabilitation component, was approximately $265. If an individual could use the Behavioral Adult Day Care, the rate would be approximately $90 per day. Ms. Aiello pointed out that it was likely there would not be a cost savings, but there would be an in-state alternative.

In response to a question posed by Assemblyman Hardy related to individuals receiving out of state services, Ms. Aiello said 16 individuals with traumatic brain injury were receiving out-of-state services.

Assemblywoman Leslie referenced the HIWA program and said a good point made earlier in the meeting was that traumatic brain injury individuals were receiving Medicaid. She asked how the fiscal note was developed. Ms. Aiello said the program had an average of 22 individuals and when the cap for the unearned income was removed, over 200 individuals would qualify for the

HIWA program. Assemblywoman Leslie asked whether those were individuals not currently receiving Medicaid. Ms. Aiello answered in the affirmative and said with unearned income those individuals were not enrolled in the program.

Paul Gowins indicated there was some flexibility within the Division to set the unearned income for HIWA eligibility and said, "Last session they totally removed it." He said the SPAC was very supportive of that change and hoped there would be a great influx of people wanting to apply for the program. While there were some drawbacks, the Division had the ability to put the unearned income amount anywhere from $699 to zero. To eliminate the program because unearned income was set at zero would not be wise. Mr. Gowins said it would be his preference for the Division to recommend an income that it would be comfortable with, rather than totally eliminating the option.

Assemblywoman Leslie asked Ms. Aiello to provide options for the Committee. She asked whether the HIWA program was completely eliminated.

Ms. Aiello reiterated that there were 22 individuals currently enrolled in the HIWA program. The Division could provide some options. She said, the Division was responding to the fiscal note included in A.B. 7, and this bill included the same options passed during the 2007 Legislative Session. Assemblywoman Leslie said the members would prefer what was passed last session, but if that was not possible the members would like other options.

Chairman Arberry declared the hearing on A.B. 7 closed and asked Mark Stevens, LCB Fiscal Analyst, to review the proposed amendment to address Assembly Bill No. 165.

Assembly Bill 165: Revises the provisions governing the Fund to Stabilize the Operation of the State Government. (BDR 31-580)

Mr. Stevens referred to a mock-up for Assembly Bill (A.B.) 165 which included revisions to the original bill reviewed in Committee on Monday, February 23, 2009 (Exhibit L). The changes were mainly technical in nature and were made by the LCB Legal Division. Beginning with the next Executive Budget, the Governor would be required to reserve 1 percent of the revenue projection made by the Economic Forum on December 1st, and then the Legislature, in approving the budget, would have to reserve 1 percent of the revenue projection made by the Economic Forum on May 1st. That 1 percent would be deposited in each year of the biennium by the Controller into the rainy day fund (the Fund to Stabilize the Operation of State Government).

Mr. Stevens explained that at present, if there was a General Fund surplus at the end of a fiscal year in excess of 10 percent of operating appropriations, 40 percent of any amount above that was transferred to the rainy day fund. The bill would set that threshold at 7 percent, rather than 10 percent. There would be an opportunity for additional money to go to the rainy day fund at the end of each fiscal year.

According to Mr. Stevens, the bill also increased the maximum balance in the rainy day fund from 15 to 20 percent of General Fund operating appropriations. Finally, A.B. 165 allowed access to the rainy day fund not only by the Legislature, but also by the Interim Finance Committee. The bill provided that if revenues fell below 5 percent as determined by the Interim Finance Committee or the full Legislature, the state budget director could approach the Board of Examiners and ultimately the Legislature or the Interim Finance Committee to have money transferred from the rainy day fund to the General Fund.

The bill included a provision to allow access to the rainy day fund if the Governor and either the Legislature or the Interim Finance Committee declared a fiscal emergency.

> ASSEMBLYWOMAN LESLIE MOVED TO AMEND AND DO PASS AS AMENDED ASSEMBLY BILL 165.
>
> ASSEMBLYMAN DENIS SECONDED THE MOTION.
>
> THE MOTION PASSED. (Assemblyman Goicoechea was not present for the vote.)

*****

Chair Arberry opened the hearing on Assembly Bill 13.

Assembly Bill 13: Revises provisions governing expenditures by school districts for textbooks, instructional supplies and instructional hardware. (BDR 34-295)

Assemblyman Mo Denis representing Clark County Assembly District No. 28 said he was present to introduce A.B. 13 on behalf of the interim Legislative Committee on Education. The 2003 Legislature first "fenced off" funding for textbooks and instructional materials. Prior to that, the Legislature calculated the funding for the Distributive School Account (DSA) to include an amount of aid for textbooks. However, because the funding was not set aside as categorical aid, the school districts were not obligated to spend that amount specifically on instructional materials. To ensure that the school districts directed the funding for the intended purpose, *Nevada Revised Statutes* (NRS) 387.206 included a maintenance of effort (MOE) clause that authorized the Department of Education to reduce a district's basic support allocation if the district failed to expend the required amount for textbooks and instructional materials. The practice of fencing off the textbook and instructional material funding was continued by the 2005 Legislature and the 2007 Legislature; however, Senate Bill 5 of the 24th Special Session was passed to cut half the funding available for textbooks in FY 2009. In total, approximately $48 million of the $96 million was reverted to the State General Fund.

Assemblyman Denis continued and said the interim Legislative Committee on Education received periodic updates on the budget cuts and reversions over the 2007-2009 biennium. The school districts had voiced concern over the requirement to maintain calculated expenditure levels for instructional materials when the operating budgets were being reduced. The interim Committee was also advised that textbook purchasing was tied to the revision of academic standards and the textbook adoption cycle. Historically, the districts had not found it necessary to make major textbook purchases every school year. Because of the budget crisis, some of the districts had more pressing needs than to spend a specific amount on textbooks. The districts had requested assistance from the interim Legislative Committee on Education in obtaining relief from the MOE requirement when an economic hardship occurred. Assemblyman Denis said the interim Committee wanted to assist the districts but also wanted to assure some accountability. The interim Legislative Committee on Education requested a bill draft to provide a waiver that included safeguards. The bill included the following description of an economic hardship:

> An economic hardship exists for a school district if projections of actual revenue do not meet or exceed the revenue anticipated at the time the basic support guarantees are established for the fiscal year pursuant to NRS 387.122; or, the school district incurs unforeseen expenses, including, without limitation, expenses related to a natural disaster.

Assemblyman Denis said A.B. 13 also included a process for approving the request for a waiver. A district had to request a waiver from the Department of Education. If approved by the Department, the waiver request would be forwarded to the State Board of Examiners, and if approved, the waiver request would then be forwarded to the Interim Finance Committee (IFC). If approved by the IFC, it would set forth, in a resolution, the grounds for determining the economic hardship, the amount of the waiver, and the period for which the waiver was effective. Adjustments to the waiver must be made if the economic hardship is not as great as anticipated. A school district receiving a waiver was prohibited from using the money that would have been spent on instructional materials for collective bargaining or to adjust salaries and benefits.

Assemblyman Denis understood that the Washoe County School District had requested Senate Bill 56, which was similar to Assembly Bill 13. He said S.B. 56 had been heard in the Senate Committee on Health and Education and had not been acted upon. The main difference between the two bills was that S.B. 56 authorized the Superintendent of Public Instruction to grant the wavier directly upon application from a district. The State Board of Examiners and the IFC were not involved in the process.

In conclusion, Assemblyman Denis said A.B. 13 proposed changes that would enable the school districts to deal with economic hardships temporarily by waiving certain required expenditures. On behalf of the interim Legislative Committee on Education, Assemblyman Denis urged that the Ways and Means Committee support A.B. 13.

Assemblywoman Smith thanked Assemblyman Denis for his presentation and pointed out the need for A.B. 13. She said there would also be legislation that would review the Distributive School Account formula, which had been part of the problem. Assemblywoman Smith indicated she leaned toward something between A.B. 13 and S.B. 56. She thought A.B. 13 seemed slightly onerous and asked why the State Board of Examiners was included in the process. Assemblywoman Smith stated her preference would be to go first to the Superintendent of Public Instruction and then to the IFC for approval of a waiver.

Assemblyman Denis said he did not recall why the Board of Examiners was included but thought staff had reviewed similar legislation when constructing A.B. 13. Assemblyman Denis said the requirement could still be changed and thought Assemblywoman Smith's suggestion would be a good compromise.

Assemblywoman Gansert asked whether there was a requirement for a district to report how the funding would be used if a waiver was granted.

Assemblyman Denis said he thought the current legislation on the Senate side included a requirement for districts to report how the funds were used. Mr. Denis indicated he might have to conduct some research and answer Assemblywoman Gansert's question after the meeting.

Assemblyman Hardy requested the portion of A.B. 13 that addressed collective bargaining be included in the record of the meeting. Subsection 7 of section 1 of A.B. 13 stated:

> A school district that is granted a waiver pursuant to this section shall not use the money that would have otherwise been expended by the school district to meet the requirements of NRS 387.206 for the fiscal year to:
>
> a) Settle or arbitrate disputes or negotiate settlements between an organization that represents licensed employees of the school district and the school district.
> b) Adjust the schedules of salaries and benefits of the employees of the school district.

Chair Arberry asked whether there was anyone who would like to speak for or against A.B. 13.

Anne Loring, representing the Washoe County School District (WCSD) said the district supported A.B. 13. Ms. Loring conveyed the WCSD's appreciation to the Committee for having produced the funding for textbooks and instructional supplies and then fencing off the funding. The funding had been a benefit to all of Nevada's school districts. She noted students in the WCSD had the books they needed for their classes and said:

> This issue is not about not buying textbooks, but rather about prudent fiscal management in times of economic crisis, such as the one we are in now. Is it more important for a school district to replace a science textbook this year rather than next year or to provide heat for the classrooms, gas for the school buses, avoid laying people off, or increasing class sizes? That's the kind of challenge and the kinds of questions that we face, and that's what this bill is addressing. It would give districts flexibility in very difficult times like these to prioritize their requirements and meet them.

Ms. Loring said the WCSD liked the fact that A.B. 13 had oversight accountability and limitations. The WCSD agreed that S.B. 56 and A.B. 13 represented opposite extremes. A.B. 13 probably included the most time-consuming and cumbersome method for the districts. Ms. Loring pointed out school districts had a history of going through the Department of Education and the Board of Examiners and the IFC and recognized the process took a great deal of time. Ms. Loring said S.B. 56 simply required the approval of the Superintendent of Public Instruction and the IFC. She interjected that James Wells of the Department of Education had an interesting proposal that moved toward common ground, a proposal supported by the WCSD.

James Wells, Deputy Superintendent for Administrative and Fiscal Services, Department of Education (NDE), indicated the NDE also supported the request for allowing the school districts the ability to request a waiver for textbooks and instructional supplies. Since 2003, the "fence-off" requirement had far outstripped inflation. At the inception, the funding for textbooks and instructional supplies was approximately 4 percent of the basic support and was projected to be almost 5 percent for the 2009-2011 biennium. The support being fenced off had grown at a faster rate than basic support.

Continuing, Mr. Wells agreed that the process of going through the Board of Examiners and the Interim Finance Committee (IFC) could be time consuming and, depending on how the deadline dates were met, it could take several months to complete the process. Mr. Wells suggested having the Superintendent of Public Instruction approve a waiver and forward informational items to the Board of Examiners and to the Interim Finance Committee, who would then have the ability to disapprove if they so chose. Mr. Wells pointed out his suggestion might be a way to have some additional review without holding up the process. A key difference in A.B. 13 allowed the textbook money to be spent in the subsequent fiscal year if it was determined that a fiscal hardship did not exist. Mr. Wells thought the wording in A.B. 13 was an excellent addition because of not knowing whether the expenses would hit late in the fiscal year. Attempting to purchase textbooks at the end of the year would not benefit the students. Mr. Wells said he would be happy to answer any questions.

Dotty Merrill, representing the Nevada Association of School Boards (NASB), said the Association was in support of the policy and the process presented in A.B. 13 and certainly could support the kind of changes that were discussed by Mr. Wells on behalf of the NDE. The NASB specifically supported the description of the economic hardship in subsection 8 of section 1 on page 3 of A.B. 13. The NASB recognized there conceivably could be a number of school boards across the state that might need to make use of the process and implement a request along the lines that had been discussed.

Randy Robison, representing the Nevada Association of School Superintendents, said the Association supported the waiver provision in any form the Committee selected.

Nicole Rourke, Director of Intergovernmental Relations, Government Affairs, Clark County School District, said the district also supported A.B. 13, which would offer the district the flexibility needed as it faced what promised to be an extreme budget cut.

Assemblyman Denis responded to Assemblywoman Gansert's earlier question related to the accounting issue and referenced subsection 5 of section 1 of A.B. 13:

> The board of trustees of a school district that is granted a waiver by the Interim Finance Committee pursuant to this section shall, upon expiration of the period for which the waiver is granted, provide a written accounting to the Interim Finance Committee and the Department that includes a reconciliation of the actual revenue and expenditures with the projections of revenue and expenditures that were used to determine whether an economic hardship existed for the school district.

Assemblywoman Gansert pointed out section 1 only addressed reconciling the differences but did not address how the funding was utilized.

Chair Arberry closed the hearing on A.B. 13 and advised the Committee that there was one bill draft request (BDR) that required committee introduction.

- BDR S-990—Makes an appropriation to the Department of Health and Human Services to create the Nevada Autism Task Force and provide funding for certain autism programs and services. (Later introduced as A.B. 222)

ASSEMBLYWOMAN LESLIE MOVED TO INTRODUCE BDR S-990.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

THE MOTION PASSED. (Assemblywomen Buckley and McClain, and Assemblymen Conklin and Oceguera were not present for the vote.)

Chair Arberry noted that BDR S-990 in bill form would be referred to the Assembly Committee on Ways and Means.

*****

Chair Arberry opened the hearing on A.B.18.

Assembly Bill 18: Authorizes the issuance of bonds for environmental improvement projects for Lake Tahoe. (BDR S-375)

Peggy Pierce, Clark County Assembly District No. 3, Las Vegas, said it was her pleasure as Chair of the interim Legislative Committee for the Review and Oversight of the Tahoe Regional Planning Agency (TRPA) and the Marlette Lake Water System to introduce Assembly Bill (A.B.) 18. Assemblywoman Pierce said the bill would make it possible to continue the environmental improvement program (EIP), which helped in carrying out the effort to preserve, restore, and enhance Lake Tahoe. In the 1960s the American people recognized that Lake Tahoe was located in an area of such extraordinary beauty that the job of taking care of it for future generations would be in the interest of the American people as a whole. The Tahoe Regional Planning Agency (TRPA) was created to make sure the environment at Lake Tahoe would be restored and preserved. The main area of concern for Lake Tahoe was primarily clarity.

Assemblywoman Pierce stated there had been a test last summer that revealed perhaps the decline in clarity had ceased, but now she had heard that one test was not the signal hoped for. Assemblywoman Pierce said, "We are here today to ask that we continue to work on this very important effort." The funding for the effort was shared by the federal government, the states of California and Nevada local governments and by private funds and was a true collaboration. She was present to ask for the ability to fund the next ten years of this work. In conclusion, Assemblywoman Pierce said during the interim she took an informational tour with the interim Committee and was struck, after speaking to staff from many agencies who worked on Lake Tahoe issues, at how enthusiastic they were for their work and for the future of the Lake.

Allen Biaggi, Director, State Department of Conservation and Natural Resources, said he was also the Chairman of the Tahoe Regional Planning Agency Governing Board. Mr. Biaggi began his presentation and said:

> Since the 1960's Lake Tahoe's famed water clarity, once at more than 100 feet had declined to less than 70 feet. Studies had indicated that nutrients such as nitrogen and phosphorous and sediment from urban areas is the primary cause. Additionally, other environmental values at Lake Tahoe are in jeopardy such as air quality, the threat of invasive aquatic species, and of course, the June 2007 Angora fire which burned 254 homes, 3,100 acres, and forever changed the lives of many people in the basin and brought home to us all of the poor conditions of our forests in the (Tahoe) Basin.

> In 1999, on a three-day visit to Lake Tahoe, President Clinton and Vise President Gore placed a bright spotlight on the declining natural resources value at Lake Tahoe. A call to action was made of state governments and the private sector. The Lake Tahoe Environmental Improvement Program, or EIP, was the outcome resulting in more than $1 billion committed to Lake Tahoe. I am very proud that the State of Nevada was the first of the five stakeholders to provide full support for EIP. Through your approval of A.B. No. 285 in 1999, $82 million in bonding authority was authorized over a ten-year period to EIP. The Division of State Lands was tasked with coordinating an interagency, interdisciplinary team to oversee Nevada's restoration efforts.
>
> Are we making progress and has this commitment made a difference? The answer is a resounding yes. Scientists who study Lake Tahoe reported last year that for the first time, that the decline in water clarity has slowed. If you drive around the Nevada side of the Lake you will see vast improvements in forest health and a reduced potential for catastrophic wildfire.
>
> Assembly Bill 18 continues Nevada's commitment to Lake Tahoe and the environmental improvements realized over the last decade through the issuance of not more than $100 million in general obligation bonds over the next ten years. The bill is structured the same as previous legislation in that the legislative authorization is needed every two years for funding, including a specific list of projects to be funded. For fiscal years 2010 and 2011, A.B. 18 requests the issuance of $4.42 million in bonds.
>
> I want to make the Committee aware of sections 7 and 8 of this bill. This is clean-up language recommended by the Treasurer's Office. As stated, each biennium the Legislature authorizes expenditures and projects for the upcoming two years. The Division of State Lands works closely with the Treasurer's Office to schedule bond sales to coincide with project implementation to avoid arbitrage penalties. Often timing is difficult because of the complexities associated with planning and permitting projects in the Tahoe Basin, as well as the limited construction window due to the harsh climate. Sections 7 and 8 extend the deadlines for the issuance of the remaining amount of bonds that were originally authorized in 2005.
>
> Finally, in developing the legislation, Mr. Lawrence and I met with the Governor's Office and the State Treasurer's Office to ensure the concept of A.B. 18 was sound from a policy and fiscal perspective. Both gave approvals to proceed with the bill.

Concluding his presentation, Mr. Biaggi thanked Assemblywoman Pierce and the Legislative Committee for the Review and Oversight of the TRPA and the Marlette Lake Water System for their support and sponsorship of A.B. 18.

James R. Lawrence, Administrator and State Land Registrar, Division of State Lands, State Department of Conservation and Natural Resources, said it was a pleasure to attend the hearing in support of A.B. 18. Mr. Lawrence referenced an informational sheet distributed to the Committee (Exhibit M) that contained a brief history of the Lake Tahoe Environmental Improvement Program (EIP) and accomplishments to date. Mr. Lawrence noted 74 projects identified with the

EIP had been completed, and another 32 projects were either in the planning process or under construction. The highest priorities of the EIP were with water quality and restoring forest health. Fifty-one water quality projects had been completed by state and local agencies through the EIP. The most current information was continually incorporated to ensure the success of the EIP projects. During the past field season, Washoe County received recognition for a water quality project implemented through the EIP as a result of applying innovative water quality practices in the Crystal Bay project.

Mr. Lawrence referenced the forest health and said the EIP had treated approximately half of the critical areas in the Lake Tahoe Nevada State Park System for forest fuels reduction and restoring the overall health of the forest. The EIP strived continually to improve the forest health projects. An example was in the area of biomass. When feasible the EIP provided as much material as possible to the Carson City biomass facility, rather than burning the material on site. A recent project in the Park provided approximately 1,500 green tons of biomass to the Carson City facility.

Mr. Lawrence assured the Committee that "our partners" are also committed to continued support of the EIP. Since 1997, the federal government contributed over $300 million towards the Program, and legislation was in the process of being drafted in Washington, D.C. that would provide continued commitment at the federal level of not less than an additional $300 million appropriation. Additionally, California reaffirmed its commitment at last year's Tahoe Event to provide its share of the EIP for the next decade. California reported that they have provided approximately $500 million to date towards the EIP. Local governments and the private sector had also provided a fair share. In conclusion, Mr. Lawrence urged passage of A.B. 18.

Chair Arberry asked how passage of A.B. 18 would affect the Capital Improvement Program bonding issues.

Lori Chatwood, Deputy of Debt Management, Office of the State Treasurer, said the state had funds for A.B. 18, as reflected in the Debt Capacity Report for the State of Nevada 2009-2011 Biennium. Ms. Chatwood pointed out that The Executive Budget included the issuance of bonds for environmental improvement projects for Lake Tahoe. Chairman Arberry asked whether the Tahoe program was included in the state's 17 cents of ad valorem property tax, and Ms. Chatwood answered in the affirmative.

Joanne Marchetta, Interim Executive Director, Tahoe Regional Planning Agency (TRPA), testified in support of A.B. 18. She thanked the State of Nevada for being a leader among the many partners in the Lake Tahoe Environmental Improvement Project. Ms. Marchetta said:

> As you know, the EIP is a key component of our efforts to preserve Lake Tahoe for future generations. The Tahoe Regional Planning Agency is pleased to coordinate and assist in the progress of this crucial collaborative effort. The creation of the EIP spawned from the need to make more progress toward achieving the environmental thresholds authorized in the bi-state compact. Following the compact's amendment in 1980, the TRPA adopted nine environmental threshold carrying capacities which set protective environmental standards for the Lake Tahoe region. The nine values protected by the threshold categories are water quality, soil conservation, air quality, vegetation, wildlife, fisheries, scenic resources, noise and recreation. The thresholds serve as our

> benchmarks of success for the environmental health of the Tahoe Region and many of the standards will take a continuing, coordinated effort and generations to achieve.
>
> Because of the extraordinary support of EIP partners like the State of Nevada, more than $1.1 billion has been invested over the last ten years in environmental restoration projects. That investment is working. The scientific evidence now shows the loss of clarity is slowing in Lake Tahoe, and clarity can be achieved with sustained investment. This news has inspired a renewed commitment to continuing the Tahoe Basin restoration work so that our collective energy and tremendous investment of resources will continue to make a positive difference.
>
> The key to the success of the EIP is partnership, where we leverage funds for the needed work at every level. By having commitments from the federal, state, and local governments, along with the private sector, EIP dollars are used cost-effectively and for maximum benefit. Assembly Bill 18 is a critical component of continuing the EIP over the next ten years, and we applaud the State of Nevada for considering such a substantial bond measure. Efforts are also currently underway within the U.S. Congress to continue the federal share as well as with the State of California, local governments, and the private sector.
>
> Thank you for your consideration of this important bill today.

Steve Walker, representing the Truckee Meadows Water Authority (TMWA), said the TMWA stored water in the top six feet of Lake Tahoe, which was the source of 80 percent of the drinking water and water used in the Reno-Sparks area. Mr. Walker pointed out the Environmental Improvement Program protected the watershed and said the TMWA supported A.B. 18.

Joe Johnson, representing the Toiyabe Chapter of the Sierra Club, encouraged passage of A.B. 18 and asked that the Sierra Club be recorded as in favor of A.B. 18.

Kyle Davis, Political Director, Nevada Conservation League, thanked the Legislature for their support of the environmental improvements at Lake Tahoe over the past ten years and encouraged support for A.B. 18.

Nancy McDermid, Chair, Douglas County Board of Commissioners, introduced herself and referred to the numerous boards and committees on which she served and said all of the boards and committees were committed to the environmental improvement of Lake Tahoe. Ms. McDermid noted that the Tahoe Transportation District had received $4.5 million from the Federal Highway Administration for six projects. One of the projects included a bikeway. The Douglas County portion of the bikeway would begin at the state line corridor and continue to Round Hill Pines Beach. Ms. McDermid said results of a feasibility study indicated the bikeway would be one of the most used recreational bikeways in the United States. Continuing, Ms. McDermid said the TRPA hoped to acquire vacuum street sweepers to be used in the Basin. She pointed out that dust could destroy lake clarity, and the vacuum sweepers collected fine particulates and did not emit dust into the atmosphere.

Ms. McDermid referred to the public-private partnership and said many of the projects accomplished during the past decade would not have happened without the private-sector capital investment. Partnering with the private sector in revitalizing and rebuilding also contributed to reducing the amount of sediment that found its way into the Lake. Ms. McDermid said she would like to think that Nevada was once again taking the lead through issuance of bonds for environmental improvement projects for Lake Tahoe. Ms. McDermid said she welcomed the Committee's support of A.B. 18.

Dan St. John, P.E., Public Works Director, Washoe County, said he could speak to the specifics of how important A.B. 18 was to enable Washoe County to meet commitments for Lake Tahoe. Mr. St. John said he had also served as an elected supervisor on the Nevada Tahoe Conservation District and was a branch officer within the Nevada section for the American Society of Civil Engineers. Mr. St. John said Washoe County could not do its job at Tahoe without this program. It was extremely important to serve as one of the programs that could be used to match federal funds. Mr. St. John stated that the agency leveraged a lot of federal funds through the state program.

Mr. St. John referred to the handout (Exhibit M) provided by Mr. James Lawrence and noted the award-winning project shown on page 4 was a Washoe County project and was an example of the kinds of projects that had been accomplished in partnership with the EIP. The EIP was critically important in helping with the water quality issues at Lake Tahoe. Mr. St. John said as a long-time member of the Conservation District and former Chairman he believed that the EIP was a strong program that worked through partners. His agency had a long-term, formal relationship with the Nevada Division of State Lands on the administration of this program, and the Division had a unique role as team leader for the Nevada Tahoe Resource Team to make sure that the best projects were happening on the ground.

Mr. St. John congratulated Administrator Jim Lawrence and Deputy Administrator Charley Donohue, for administering an excellent and well-respected program. Mr. St. John said from his civil engineering perspective and the American Society of Civil Engineers that he represented, we have seen the emergence of new technologies which the state has backed. He said as money was spent, consideration was given to the emerging science and engineering that was going on at the Lake. Every project used the new criteria to make sure that the funding was used properly to achieve the best water quality at the Lake. Mr. St. John commented that he had seen the effects from the projects that the EIP had sponsored over the years and looked forward to continuing to work on new projects and helping to meet the water quality goal at Lake Tahoe. In conclusion, Mr. St. John urged the Committee to maintain Nevada's commitment to Lake Tahoe by passage of A.B. 18.

Michael Donahoe, Cochair of the Tahoe Area Sierra Club, said as a Nevadan, he was proud of Nevada's past support of Lake Tahoe and urged the members to continue their support of the Lake. Mr. Donahoe was especially pleased that A.B. 18 included a provision for monitoring the use of the funds, which was an important requirement. Mr. Donahoe referred to Eldorado County Supervisor, Norma Santiago, who often said when discussing the Lake, "It's all about ME, and ME stands for monitoring and enforcement." Mr. Donahoe asked the Committee to please support A.B. 18.

Flavia Sordelet, Program Director, League to Save Lake Tahoe, also known as "Keep Tahoe Blue," thanked the Committee for the opportunity to comment on A.B. 18 and said:

> The League is strongly supportive of the passing of A.B. 18 due to the imperative urgency of continuing the Lake Tahoe Environmental Improvement Program. More than ever before has the importance of the Tahoe EIP been so clear. The scientific community has prescribed the required reduction of fine sediments that are needed to attain the goal of approximately 100 feet of lake clarity. We now know that the urban areas of the Basin contribute the highest amounts of fine sediment—72 percent to be precise. Nevada's support in the EIP is much needed to reach the ultimate goal of lake clarity and environmental restoration of all the Basin's natural resources. Furthermore, it is in the state's best interest to protect and preserve the natural resources of Nevada, including Lake Tahoe itself. The continued support of the state and the Tahoe EIP will be appreciated by all generations to come.

Paul Frost, Nevada Department of Transportation (NDOT), thanked the Committee for the opportunity to offer the Department's support of A.B. 18. The Department had participated in implementing water quality in road and control projects to preserve and enhance the quality of Lake Tahoe. The Tahoe bond program had been a critical funding component for the NDOT to execute EIP projects. To date, 16 projects had been completed in cooperation with the Division of State Lands. Mr. Frost said in the immediate future the bonds would be used to construct three EIP projects on state routes 207, 28, and 431 and were scheduled to begin in the summer of 2009. One serious concern of the NDOT was the proposed numerical pollution thresholds proposed to be adopted during the current year that would further reinforce and intensify the need to continue the EIP projects. In closing, Mr. Frost said with the Committee's support the Department hoped the state could continue to be a highly regarded contributor in the efforts to preserve and enhance Lake Tahoe.

Pam Wilcox, private citizen, offered her support of A.B. 18 and thanked the Committee. She pointed out she was present in 1985 when the Legislature passed the first Tahoe bond act, which was sponsored by Assemblyman David Nicholas and was approved by the voters in 1986. The bipartisan support of the Legislature for Lake Tahoe continued to be outstanding. Ms. Wilcox thanked the Subcommittee for their support.

Chairman Arberry adjourned the meeting at 11 a.m.

RESPECTFULLY SUBMITTED:

____
Linda Smith
Committee Secretary

APPROVED BY:

____
Assemblyman Morse Arberry Jr., Chair

DATE:________________________________

EXHIBITS

Committee Name: Committee on Ways and Means

Date: March 2, 2009 Time of Meeting: 8:08 a.m.

Bill	Exhibit	Witness / Agency	Description
	A	Agenda	
	B	Guest List	
	C	Michael E. Skaggs, Executive Director, NCED	Agency Overview and Budget Presentation
	D	Michael Skaggs	2009 NV Production Directory
	E	Steve Woodbury, Interim Director, NCOT	Budget Overview
	F	Steve Woodbury	Entrepreneur Magazine article
	G	Steve Woodbury	Expanded Program Narrative
	H	Steve Woodbury	Room Tax Receipts
	I	Janet Geary	Nevada Magazine Handout
	J	Assemblywoman Leslie	Emails related to Medicaid
	K	Assemblywoman Leslie	Letter from Nevada Governor's Council on Developmental Disabilities
A.B.165	L	Mark Stevens, Assembly Fiscal Analyst	Proposed Amendment 3382 to Assembly Bill No. 165
	M	James R. Lawrence, Administrator and State Land Registrar, Division of State Lands, State Department of Conservation and Natural Resources	Informational Sheet, Lake Tahoe Environmental Program