

MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT AND ACCOUNTABILITY

Seventy-Fifth Session
March 24, 2009

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on General Government and Accountability was called to order by Vice Chair Kathy McClain at 8:18 a.m. on Tuesday, March 24, 2009, in Room 2134 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).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblyman Mo Denis, Chair
Assemblywoman Kathy McClain, Vice Chair
Assemblyman Marcus Conklin
Assemblyman Pete Goicoechea
Assemblyman Joseph M. Hogan
Assemblywoman Ellen Koivisto

SENATE COMMITTEE MEMBERS PRESENT:

Senator Steven A. Horsford, Chair
Senator Joyce Woodhouse
Senator Warren B. Hardy II
Senator Dean A. Rhoads

STAFF MEMBERS PRESENT:

Mark W. Stevens, Assembly Fiscal Analyst
Brian M. Burke, Principal Deputy Fiscal Analyst
Sarah Coffman, Program Analyst
Jeffrey A. Ferguson, Program Analyst
Alexander Haartz, Program Analyst
Heidi Sakelarios, Program Analyst
Julie Waller, Program Analyst
Linda Blevins, Committee Secretary
Carol Thomsen, Committee Assistant

Vice Chair McClain called the meeting to order and requested that Mark W. Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provide the Subcommittee with an introduction to the work session process.

Mr. Stevens stated that the series of scheduled work sessions were designed to provide Fiscal Analysis Division staff with preliminary direction from the committees; however, committees could refocus at the time of budget closings.

For clarification, Assemblyman Goicoechea restated that the Fiscal Analysis Division staff was seeking direction from the committees regarding what was agreeable and what the committees wanted to see included or deleted from each budget account.

Mr. Stevens confirmed Assemblyman Goicoechea's understanding of the process. He noted that at the end of the work sessions, Fiscal Analysis Division staff would report to the committees the updated budget numbers.

DEPARTMENT OF BUSINESS AND INDUSTRY
INSURANCE REGULATION (101-3813)
BUDGET PAGE B&I-8

Heidi Sakelarios, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided a brief overview of budget account (BA) 3813, Department of Business and Industry (B&I), Insurance Regulation. The Governor recommended instituting a fee-based funding structure for the Division of Insurance and decreasing General Fund appropriations by approximately \$3.6 million in fiscal year (FY) 2009-2010 and approximately \$3.7 million in FY 2010-2011.

Ms. Sakelarios stated that the recommended administration fee was new and would be charged to insurance producers and to insurance carriers. The producers would pay a \$60 fee at the time of their initial application and upon renewal every three years. Insurance carriers would pay a fee of \$1,200 at the time of the initial application and annually upon renewal of their license.

According to Ms. Sakelarios, the Governor recommended the insurance producers would begin paying the new administration fee in calendar year 2010. The insurance carriers would pay a prorated fee of \$600 beginning in calendar year 2009. The insurance carriers would begin paying the full \$1,200 in calendar year 2010. The fee was projected to generate revenue of \$5,548,020 in FY 2009-2010 and \$4,207,920 in FY 2010-2011. The revenue projected for FY 2010 was higher because insurance carriers would be paying the prorated fee for calendar year 2009, as well as the fee for calendar year 2010.

According to the Division of Insurance, the amount of the administration fee was set by representatives from the insurance industry. Ms. Sakelarios explained that at the Subcommittee hearing on March 19, 2009, insurance industry representatives testified in support of the new administration fee, on the condition that the fees went directly to the Division of Insurance and not to the General Fund.

The fee was recommended to create a more stable funding structure for the Division of Insurance, giving them the flexibility needed to hire additional staff to carry out statutory requirements and to work toward restoration of National Association of Insurance Commissioners (NAIC) accreditation.

A bill draft request (BDR 57-1203; later introduced as Senate Bill 426) was submitted to establish and collect the fees necessary to implement this recommendation. If the recommendation was approved, the Division of Insurance would not have sufficient cash flow at the beginning of FY 2010. It

would be necessary to add language to the general appropriation act authorizing an advance from the General Fund.

Ms. Sakelarios pointed out that to be able to meet General Fund budget reductions during the upcoming biennium and to fund the 14 new positions that were recommended to aid the Division of Insurance in meeting the NAIC accreditation and statutory examination requirements, the Governor had recommended using the revenue from the new administration fee to support the restoration of 4.49 positions that were recommended for elimination.

Ms. Sakelarios advised the Subcommittee that it must decide whether to approve the Governor's recommendation to institute a fee-based funding structure for the Division of Insurance and to decrease the General Fund appropriation to \$100 per fiscal year or to continue with the current system of utilizing General Funds to support this budget account.

Assemblyman Conklin stated he was inclined to support the option for the Division of Insurance to receive funding from customers; he wanted to ensure that the Governor would sign a fee increase recommended by the insurance industry.

Chair Denis requested additional information on the issue.

Dianne Cornwall, Director of the Department of Business and Industry, noted she had met with the Governor and his staff to discuss the prospect of increasing fees. The insurance industry also had a meeting with the Governor in which everyone agreed that a fee increase was appropriate to protect the state and its revenues. She believed the Governor would sign the increase if it was passed by the Legislature.

Chair Denis inquired whether anyone from the Governor's Office was available to confirm Ms. Cornwall's understanding; however, no one was in attendance.

Assemblywoman McClain wondered whether the Division of Insurance would be able to build up a reserve with the increase in fees.

Ms. Cornwall anticipated that a reserve would be built up. She explained that the Division was moderate in its estimates and based the increase on what it predicted would be needed.

Assemblywoman McClain inquired where BDR 57-1203 was in the legislative process.

Ms. Cornwall stated it was a budget bill and was, therefore, included in the budget.

Mark W. Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, remarked he had reviewed a number of budget bills with the Legal Division in the past week and noted that BDR 57-1203 would be exempt. He anticipated the bill would soon be available for review.

Senator Horsford asked whether the restoration of the 4.49 full-time equivalent (FTE) positions and the 14 new FTE positions would be fully funded through the administration fee revenues. Additionally, he wanted to know whether an Attorney General (AG) opinion had been requested to address the concerns of having a regulatory agency fully funded by the industry that it regulated.

Scott J. Kipper, Commissioner of Insurance, Division of Insurance, stated that he would request an opinion from the AG.

Kim Huys, Deputy Administrator, Division of Insurance, testified that an analysis showed there was sufficient funding with the new fee structure and the reserves to fund the positions. The Division had scheduled the positions to start at staggered intervals beginning October 1, 2009, to reduce the impact on the budget. She noted the Division would continue to monitor the fee revenues and bring concerns to the appropriate entities for reevaluation.

Chair Denis asked whether the Subcommittee had any questions or concerns regarding the Division of Insurance budget.

Senator Horsford requested a copy of the AG opinion letter when it was received and a copy of a letter from the Governor advising whether or not he would support the fee increases.

DEPARTMENT OF BUSINESS AND INDUSTRY
REAL ESTATE ADMINISTRATION (101-3823)
BUDGET PAGE B&I-111

Jeffrey A. Ferguson, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided an overview of the Real Estate Administration budget account (BA) 3823. He stated that the Governor recommended the elimination of four vacant positions as follows:

- Maintenance (M) 160—Eliminate two vacant administrative assistant 1 positions in the Las Vegas Licensing Section. Elimination provided General Fund savings of \$77,566 in fiscal year (FY) 2009-2010 and \$78,254 in FY 2010-2011.
- Enhancement (E) 607—Eliminate one vacant administrative assistant 1 position from the Licensing Section in Carson City. Elimination of the position provided General Fund savings of \$37,960 in FY 2009-2010 and \$38,442 in FY 2010-2011.
- E608—Eliminate one vacant program officer 1 position for the Carson City Projects Program. Elimination of the position provided General Fund savings of \$47,237 in FY 2009-2010 and \$47,708 in FY 2010-2011.

Mr. Ferguson pointed out the two positions (M160) in the Las Vegas Licensing Section had been vacant for more than one year, and the position (E607) in the Carson City Licensing Section had been vacant since January 2009. The agency had indicated that because of the economic downturn in the real estate sector, the elimination of these three positions would not have an adverse effect on the agency.

The fourth position (E608) located in Carson City had been vacant since March 2008. The agency indicated that the duties associated with that position had been redistributed to other personnel in the agency.

According to Mr. Ferguson, if the Subcommittee decided not to approve the Governor's recommendation to eliminate the four positions, an additional \$162,763 in FY 2010 and \$164,404 in FY 2011 in General Funds would need to be added to the Real Estate Administration budget.

Assemblyman Goicoechea commented that because the positions were vacant the effect on the agency would be minimal.

Assemblyman Conklin assumed the Real Estate Administration account had reserves which could be accessed if the economy recovered and the agency required additional staff for licensing positions. At that time, they could petition the Interim Finance Committee to restore funding for one or more positions.

DEPARTMENT OF AGRICULTURE
DEPARTMENT-WIDE
TRANSFER OF RESPONSIBILITIES

Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented an overview of the transfer of responsibility issues facing the State Department of Agriculture. The Governor was recommending 23 position eliminations out of the 100 positions in the Department. To provide continued support for the programs and statutory mandates, the Department indicated to Fiscal Analysis Division staff that it would redistribute the duties of the eliminated positions to the remaining positions. If approved as recommended, several of the revenue sources associated with the Department of Agriculture's revenues would be significantly misaligned.

According to Ms. Coffman, Fiscal Analysis Division staff had discussed the issue with the Department. The Department had indicated that several of their positions were working outside of their classifications and corresponding revenue sources. Ms. Coffman noted that of the more significant cost-allocation issues, the Subcommittee should address the following three:

1. Agricultural Enforcement Unit (AEU)—The Governor recommended all AEU officers within the Plant Industry account be eliminated and the responsibilities of the officers be transferred to the Livestock Inspection account. If the transfer occurred, there would be two significant issues for the Subcommittee to consider: the deputy brand inspectors would be performing duties not related to their current job classification, and The Executive Budget did not properly align the funding support to the Livestock Inspection account for assuming the additional duties.
2. Livestock Inspection Division (LID)—If the AEU was eliminated in the Plant Industry Program, the responsibilities of the AEU would go away. The LID administrator was located in the Plant Industry budget account. Therefore, if the AEU responsibilities were transferred to the LID, the administrator position should also be transferred.
3. Veterinary Medical Services Division (VMSD)—The Governor recommended the elimination of a program officer 1 position responsible for managing the Virginia Range Estray Horses (VREH) program within the VMSD. If the position was eliminated, the VMSD indicated they would transfer the duties to the LID. However, the operating expenses associated with the VREH program continued to be provided in the VMSD account. The General Fund appropriations for the operating costs were \$38,753 in each year. No additional funding for operational costs was recommended for the LID to assume the additional duties.

Ms. Coffman pointed out that several adjustments would be necessary depending on the Subcommittee recommendations. Fiscal Analysis Division staff had provided the Subcommittee with several options to consider in two different categories broken down as follows:

Options relevant to the AEU program:

- a. Eliminate the three agricultural enforcement officer positions in the Plant Industry Division account and transfer the associated duties to the LID. If the responsibilities were transferred to LID, 30 percent of the deputy brand inspectors' time would be spent performing plant-related inspections. If approved as recommended by the Governor, the livestock industry would be subsidizing plant-related inspections, which was a significant misalignment of revenues.
- b. Restore two of the three agricultural enforcement officers within the Plant Industry Division. This would require General Fund appropriations of \$65,936 in FY 2009-2010 and \$115,289 in FY 2010-2011.
- c. Eliminate the AEU program in its entirety. If this option was selected, a full-time agricultural enforcement officer within the LID would be eliminated as well as the three agricultural enforcement officers within the Plant Industry Division. In addition, the LID administrator should be transferred back to the LID and funded 100 percent by fees collected from the livestock industry.

Chair Denis advised the Subcommittee that a balance must be achieved that would allow the agency to perform its duties effectively while considering the recommended budget cuts.

Assemblywoman McClain commented that, in her opinion, it seemed reasonable to retain the agricultural enforcement officers within the Plant Industry Division. The LID should be kept separate since they were supported by the livestock industry. As far as she was concerned, option b. appeared to be the best choice.

Senator Rhoads agreed with Assemblywoman McClain. It was becoming increasingly difficult for ranchers to have livestock inspections in the rural areas. Brand inspections were hard for the ranchers to get when waiting to transport the livestock, and it could be quite costly.

Assemblyman Goicoechea agreed with his colleagues. He believed it was important to restore two of the agricultural enforcement officers. However, when reviewing the total budget, it appeared someone needed to be assigned to the Winnemucca, Nevada area. Additionally, someone needed to be assigned to southern Nevada. In his opinion, a southern regional manager was also needed in the Plant Industry Division. The officers should be put into the areas where they were needed the most.

Chair Denis reminded the Subcommittee that this was a work session and final decisions were not made until the budgets were closed. If the Subcommittee agreed to restore two of the positions, other issues could be decided at a later time.

Ms Coffman continued the presentation of the suggested options for the Subcommittee's review as follows:

Options relevant to the VREH program:

- a. The Governor recommended the elimination of a program officer position in the Veterinary Medical Services account. Under this option, the General Fund appropriation for the Veterinary Medical Services Division would be overstated by \$38,753 each year, while

the livestock industry would be financing the responsibilities associated with the VREH program.

- b. Eliminate the program officer position and transfer the responsibilities of the VREH program to the LID. The funding provided in the Veterinary Medical Services Division of \$38,753 would be allocated to the LID for its services.
- c. Eliminate the VREH program in its entirety. If this option was chosen, the gentling program managed by the Department of Corrections would be eliminated, as well as the Veterinary Medical Services Division's ongoing efforts to prevent the Virginia Range herd population from increasing.
- d. Restore the program officer position to support the VREH program at a General Fund cost of \$59,122 in FY 2009-2010 and \$87,035 in FY 2010-2011.

Assemblywoman McClain stated that she was inclined to restore the program officer position, and reluctant to eliminate the gentling program in the Department of Corrections.

Responding to a question from Assemblywoman McClain, Ms. Coffman noted that the profits from the gentling program were minimal.

Chair Denis asked whether the gentling program was successful in accomplishing the goal of prisoner rehabilitation.

Ms. Coffman stated that the gentling program was successful; however, there was an oversaturation with the horse adoption process.

Senator Hardy inquired how much damage was done to the efforts to prevent the Virginia Range herd population from increasing if the gentling program was eliminated. Although he agreed it was a good program for the Department of Corrections, he questioned whether the program was necessary for the state.

Senator Rhoads was not clear why the LID was involved with the wild horse program. The livestock inspection funds were paid 100 percent by the ranchers. He needed additional information before he could make a decision.

Assemblyman Goicoechea commented that the Virginia Range horses were a unique scenario. These were the only state stray horses in the system, and although there were problems, there was an Assembly bill that might help to alleviate the problems. He was hesitant to fund this program at the expense of cutting three wildlife services positions. According to the information he had received, it was increasingly difficult for the Department of Corrections to auction the horses.

Assemblywoman McClain suspected that part of the problem was the increasing population in the Virginia Range. She assumed that the idea of the gentling program was to address the issue of wild horses in the populated areas of the Virginia Range.

Chair Denis polled the Subcommittee and determined that the majority of the members preferred option d.

DEPARTMENT OF AGRICULTURE
ADMINISTRATION DIVISION (101-4554)
BUDGET PAGE AGRICULTURE-1

Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the Governor was recommending the elimination of five positions in budget account (BA) 4554: two accounting assistants, two administrative assistants, and a deputy director position in decision units Maintenance (M) 160 and Enhancement (E) 606. The Department indicated it was able to absorb the deputy director and two accounting assistant positions that were currently vacant. The elimination of the two administrative assistant positions would result in layoffs.

The administrative assistants were responsible for managing the front desk in the Department's Reno and Las Vegas offices. If the positions were eliminated, the Department indicated they would rotate existing staff to cover the responsibilities of the front desk positions. The Department pointed out that if the positions were eliminated, it would be extremely difficult for the remaining staff to cover the front desk responsibilities while adequately performing their other duties. According to Ms. Coffman, each week the Las Vegas office received approximately 150 walk-in customers, and the Reno office received approximately 25 walk-in customers.

The Department stated the administrative assistant in Las Vegas primarily performed responsibilities associated with the Division of Measurement Standards. An option for consideration by the Subcommittee was to fund this administrative assistant position with reserve funding from the Division of Measurement Standards. Ms. Coffman noted the administrative assistant in Las Vegas was fourth on the Department's priority list of potential items to be considered for restoration.

Chair Denis believed that the Las Vegas office needed someone to cover a desk that received 150 walk-in customers each week. While rotating employees was acceptable, he thought funding the position with reserve funds was the best option.

Assemblyman Goicoechea asked whether using the reserve funds would impact the Division of Measurement Standards funds.

Ms. Coffman explained that approximately \$40,000 would be used from the reserve each year of the biennium to fund the position. However, that left approximately 3.8 months of reserve still available at the end of FY 2011.

Senator Rhoads agreed that the position in Las Vegas should be retained to manage the front desk.

Chair Denis noted that all Subcommittee members agreed that the Las Vegas administrative assistant position should be retained.

Assemblyman Goicoechea stated that it was his understanding that the reserve funds from the Division of Measurement Standards would be used to fund the administrative assistant positions. He was apprehensive that one account would be bankrupted to save another account.

In response to Chair Denis, Ms. Coffman noted there were sufficient funds in the reserve account to fund the positions in question. There was in excess of

three months reserve in the account. The account usually funded equipment from the reserve, but it did not appear equipment would be purchased within the next two years. If there was a shortfall, the Department could not come to the Interim Finance Committee (IFC) for funding, since the account was fee-based only.

Regarding decision unit E609, Ms. Coffman presented an overview of the High School Rodeo Association (HSRA) under the Department of Agriculture. The Governor recommended elimination of the \$20,000 contribution each year.

Testimony heard at a previous subcommittee hearing regarding HSRA was that without the funding, several contestants representing Nevada would not be able to afford the travel expenses associated with competing in the National High School Finals Rodeo. According to Ms. Coffman, the options were to approve the Governor's recommendation to eliminate the funding, restore a portion of the funding contributed to the HSRA, or fully restore the funding of \$20,000 for each year of the biennium.

Chair Denis noted the consensus of the Subcommittee was that the funding should be restored to support the HSRA.

DEPARTMENT OF AGRICULTURE
PLANT INDUSTRY DIVISION (101-4540)
BUDGET PAGE AGRICULTURE-19

Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the Governor had recommended that five agriculturist positions and the southern regional manager position be eliminated for a General Fund savings of \$400,429 in fiscal year (FY) 2009-2010 and \$416,285 in FY 2010-2011.

The Department indicated that three of the agriculturist positions were not included in the add-back priority request, and therefore, Ms. Coffman would not include those positions in her discussions.

The agriculturist 4 position was responsible for the seeds and organic material certification program. Ms. Coffman pointed out that the Department of Administration, Budget Division, had submitted budget amendment 38 to restore the agriculturist 4 position, but eliminate two part-time administrative assistant positions that were responsible for phytosanitary certifications. According to the budget amendment, since the original budget recommendations were made, the priorities of the agency had been reevaluated and the agriculturist 4 position was determined to be critical to the mission of the Plant Industry Division. The following options should be considered by the Subcommittee:

1. Approve the Governor's recommendation to eliminate the agriculturist 4 position.
2. Approve budget amendment 38 and restore the agriculturist 4 position while eliminating two part-time administrative assistant positions.

Ms. Coffman noted that option 2 required additional General Fund support of \$10,437 in FY 2009-2010 and \$11,042 in FY 2010-2011.

Senator Rhoads suggested the approval of option 2 which would preserve the agriculturist 4 position. The Subcommittee agreed.

Senator Hardy believed the options should be further refined with the understanding that as the budget closing process progressed, positions could still face elimination.

Assemblyman Goicoechea stated that the agriculturist 4 position that was responsible for agricultural product inspections, insect identification, and weed abatement in Winnemucca was important to the Humboldt County area.

Senator Hardy noted the position had been vacant since May 2008 when the agriculturist retired, and he wondered how the Plant Industry Division was functioning.

Assemblyman Goicoechea responded that the product inspection responsibilities had not been working effectively. He expressed his concern that if the response time was not decreased, there would be a major impact to an industry that was essential to northern Nevada.

Ms. Coffman stated that the Department of Agriculture currently had a seasonal agricultural inspector 2 position that handled the inspections. That accounted for the response time increase from 30 minutes to as much as 3 days. She pointed out that if the two part-time administrative assistants were eliminated per budget amendment 38, there would be two issues facing Humboldt County:

1. Inspections would not be performed in a timely manner.
2. Phytosanitary certifications would not be performed in a timely manner.

According to Ms. Coffman, the agriculturist 4 position, if restored, could also perform the phytosanitary certification, product inspections, insect identification, and weed-abatement services.

Senator Hardy stated that it was difficult to make the decisions to eliminate any positions because everything was intertwined.

Senator Rhoads suggested the Subcommittee recommend restoration of the agriculturist 4 position which would allow the Department to ensure timely product inspections and certifications. In his opinion, timely inspections were a requirement for the large farming industry in Humboldt County.

Assemblywoman McClain was agreeable to restoring the position but noted that the position could still be cut when budgets were closed.

Ms. Coffman explained that the southern regional manager position was slated for elimination. The position was located in the Plant Industry Division office in Las Vegas and was responsible for the regulation of the nursery, greenhouse, and pest control industries. If the position was eliminated, the northern regional manager would be required to assume the responsibilities of overseeing the regulatory duties for those industries. The position was number eight on the Department's priority list for potential positions to be restored with General Fund appropriations.

In response to an inquiry from Chair Horsford, Ms. Coffman stated that the position was currently filled. She was uncertain why the Department chose to eliminate the southern regional manager rather than the northern regional manager.

Anthony Lesperance, Director of the State Department of Agriculture, stated that the type of agriculture in southern Nevada was considerably different than in northern Nevada. If the position in southern Nevada was eliminated, coverage for the area would be done by the assistant manager in northern Nevada. It would be difficult since he had many responsibilities.

Northern Nevada was primarily made up of an irrigated, agriculture-type industry. Southern Nevada was primarily a greenhouse, nursery-type industry. The two areas varied widely in their needs. Although the two positions had the same titles, the responsibilities were very different.

Assemblywoman McClain asked how many other staff members were in the Las Vegas office.

Maureen Groach, administrative services officer 3 for the Department of Agriculture, explained that the southern Nevada office had approximately 17 employees.

Responding to Assemblywoman McClain, Mr. Lesperance stated that the southern regional manager was the manager for the office. If the position was eliminated, the weights and measures inspector 4 would assume the office manager responsibilities.

In response to Assemblywoman McClain, Ms. Coffman explained that budgetarily there were two separate divisions. The Plant Industry Division was funded with General Funds, and the Weights and Measures Division was fee-funded. If the weights and measures inspector 4 assumed the responsibilities of managing the Plant Industry Division, the Department indicated to Fiscal Analysis Division staff that 5 percent of his time would be dedicated to paperwork and other managerial duties. The Plant Industry Division would have to fund some portion of the salary for that position, which would mean General Funds going to a fee-funded account.

Senator Hardy pointed out that this was a management position. In his opinion there was room for the weights and measures inspector 4 to oversee the Las Vegas office.

Mr. Lesperance replied that the southern regional manager had two functions: the management of the office and the field work. If the position was eliminated, both functions were also eliminated. It was also important for someone to manage the duties of the office.

Senator Hardy agreed but stated that the top priority was ensuring that essential services were met.

Mr. Lesperance pointed out that on the priority list for potential items to be restored, the southern regional manager position was number eight. In his opinion, there were other areas which were more important to address.

Chair Horsford requested that Mr. Lesperance work with Fiscal Analysis Division staff to develop a recommendation for the elimination of the positions. Chair Horsford requested justification for retaining both the southern and northern regional managers. If there were more critical functions that Mr. Lesperance believed should be funded, they needed to be identified and justified. There was clearly not enough information available for the Subcommittee to make recommendations.

Mr. Lesperance agreed to work with Fiscal Analysis Division staff in developing information for the Subcommittee.

DEPARTMENT OF AGRICULTURE
PREDATORY ANIMAL AND RODENT CONTROL (101-4600)
BUDGET PAGE AGRICULTURE-90

Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that the Governor had recommended the elimination of 4 of the agency's 11 field assistant 2 positions, as well as a biologist position. The Department indicated to Fiscal Analysis Division staff that the restoration of three of the four field specialist positions were five, six, and seven on the priority list. If all five of the positions were eliminated, the counties of Lander, Eureka, White Pine, Humboldt, Clark, and Elko would no longer receive assistance from the wildlife damage management program.

Ms. Coffman pointed out that the Department indicated if the positions were eliminated, 50 percent of Nevada's sheep ranchers could go out of business as predation rates would increase by an estimated 10 percent in the first year and 20 percent in the second year.

Senator Hardy was strongly opposed to the elimination of the positions. He recalled that during the 1990s predator control was suspended and the deer and elk herds were nearly decimated. It was his opinion that eliminating the positions would be catastrophic for wildlife.

Assemblywoman McClain suggested the sheep and cattle ranchers pay for the field assistant positions.

Senator Rhoads replied that in addition to the state-funded positions, the ranchers hire trappers to assist with the control of predators. The sheep ranchers would be the major losers if these positions were lost.

Assemblywoman McClain indicated that she did not agree with using General Fund money to support the positions.

Assemblyman Goicoechea explained that the positions were also responsible for trapping geese and ducks in the fountains in Las Vegas. The taxes collected per head of sheep paid for a portion of the positions. It was also the responsibility of the wildlife managers to test for wildlife-borne diseases. He did not agree with cutting 4 of 11 positions.

Assemblywoman Koivisto asked whether it would be possible to restore only two of the positions.

Assemblyman Goicoechea believed that the Department would be agreeable to anything the Legislature could do to help the situation, but he did not see how a program cut in half could be functional.

Senator Hardy requested the Subcommittee think beyond the cattle industry. There could be a significant impact on outdoor recreation and sportsmen, which would have an adverse economic impact in the rural areas. He agreed with Assemblywoman McClain's comments regarding the ranchers but believed the Subcommittee should also consider the deer and elk herds.

Assemblywoman McClain said that hunters paid a fee which, she thought, contributed to predator control. Considering the reduced budget, the Subcommittee should strongly consider all options.

Chair Horsford remarked that because there was no consensus of the Subcommittee, the issue would be discussed at a future meeting.

Assemblywoman McClain requested that when the Department of Agriculture budget was closed, an interim legislative audit was performed to review the cross-statutory funding.

Senator Rhoads requested that Fiscal Analysis Division staff prepare an accounting sheet to show how much money over or under the Governor's recommended budget the Legislature had proposed to authorize to date.

DEPARTMENT OF BUSINESS AND INDUSTRY
MORTGAGE LENDING DIVISION (101-3910)
BUDGET PAGE B&I-172

Sarah Coffman, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented an overview of the Mortgage Lending Division, budget account (BA) 3910. She stated that the Governor had recommended the merger of the Division of Mortgage Lending (MLD) with the Division of Financial Institutions (FID). If approved, the MLD administrator position and an accounting assistant 3 position would be eliminated.

The FID noted benefits to this merger would be cross-training opportunities for both the FID and MLD staff, as well as cost reductions resulting from the elimination of the positions. Ms. Coffman remarked that the Subcommittee should recall there were some concerns expressed at a previous hearing regarding the timing of the merger, because it would occur during an economic crisis in the mortgage lending and financial institution industries. The Subcommittee should note there were several industry representatives that testified at a previous hearing who expressed concerns that industry oversight and responsiveness would diminish as a result of this merger.

Ms. Coffman advised that the Subcommittee should decide whether to approve the MLD and FID merger and eliminate the two positions as recommended in the Governor's proposed budget.

Senator Horsford suggested the Subcommittee consider other alternatives. It was his understanding that there were nine MLD examiners and other compliance personnel being recommended for elimination.

Ms. Coffman confirmed Senator Horsford's understanding of the issue. There were a total of 14 positions recommended for elimination. Since fiscal year (FY) 2006, the industry had been cut in half, and therefore the Department recommended downsizing.

Assemblyman Conklin pointed out there were two crises taking place across the state. The first one was a solvency of banks issue, which was occurring at a national level. Nationally the banks were in crisis, and there was no reason to believe that state-regulated banks were not affected. The FID regulated the banking industry. That task needed to be performed exceptionally well to protect consumers and businesses in the state. In his opinion, cross-training was not an option. He did not agree with combining the two agencies. Each

needed exceptional management expertise and industry acumen to solve the problems that each industry faced. Assemblyman Conklin noted that as a practical business matter, he was opposed to the merger of the two agencies.

Senator Horsford agreed that merging the two agencies, based on the regulatory oversight that was needed, was not appropriate. He believed there were some functions that were not being addressed. Possibly those functions needed to be moved to an entity with more expertise.

Assemblywoman McClain pointed out that the minimal savings were non-General Fund. She did not see a reason for consideration of the merger.

Chair Horsford remarked that if the MLD and FID were not merged, the Subcommittee should consider whether there were positions that could be reprioritized based on another area of need.

Assemblywoman McClain suggested that based on the number of bills before the Legislature related to mortgages, the Subcommittee should postpone making a decision on the elimination of the positions.

Chair Horsford wanted to focus on the loan modification issues. He was uncomfortable with it being in either MLD or FID. He suggested that as the Subcommittee considered the Consumer Affairs Division, it should reprioritize and have them focus on loan modification. The divisions had to be equipped with the right personnel to have the enforcement piece needed. He wanted to preserve the regulatory functions of the divisions.

The Subcommittee did not support the Governor's recommendation to merge the MLD and FID. Chair Horsford requested that Fiscal Analysis Division staff work with the MLD and FID to determine whether all positions were needed and to identify any other areas for cost savings.

DEPARTMENT OF BUSINESS AND INDUSTRY
MANUFACTURED HOUSING (271-3814)
BUDGET PAGE B&I-67

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided the Subcommittee with an overview of the Manufactured Housing Division (MHD), budget account (BA) 3814. The Governor recommended merging the MHD with the Housing Division (HD). The Department of Administration submitted bill draft request (BDR) 18-1202 (later introduced as Assembly Bill 539) to legislate the change.

The merger would result in the elimination of two non-General Fund positions within the MHD. One of the positions, the administrator, was currently vacant. The second position, accountant technician, could result in one layoff. The non-General Fund savings were estimated to be \$164,319 in fiscal year (FY) 2010 and \$165,209 in FY 2011.

Ms. Waller noted the merger of the two divisions provided for increased public service, funding opportunities, and elimination of a duplication of effort and would allow employees to be cross-trained to service both industries. Additionally, there would be more opportunity for first-time home buyers and seniors currently living in manufactured homes. Testimony from the MHD and HD during previous budget hearings indicated there were no concerns regarding the proposed merger.

Upon polling the Subcommittee, Chair Horsford announced there were no concerns regarding the merger.

Although Senator Hardy expressed no concerns regarding the merger, he suggested the Subcommittee consider why manufactured housing was not on the market at this time. He believed there might be a problem with regulation or other issues.

DEPARTMENT OF BUSINESS AND INDUSTRY
ATHLETIC COMMISSION (101-3952)
BUDGET PAGE B&I-220

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented an overview of the Athletic Commission, budget account (BA 3952). The Governor recommended a one-time transfer of \$155,865 in fiscal year (FY) 2011 to the General Fund from the Amateur Boxing Program reserve category.

Ms. Waller explained that the Amateur Boxing reserve category consisted of unspent sporting events ticket surcharge revenue which was used to award grants to organizations that promoted amateur boxing. The *Nevada Revised Statutes* (NRS) 467.108 indicated that surcharge revenue could only be used to award grants to organizations that promoted amateur boxing. Therefore, legislation was necessary to permit the one-time transfer.

The Department of Administration submitted bill draft request (BDR) S-1213 (later introduced as Assembly Bill 536) to allow for the one-time transfer. Ms. Waller noted that during the agency's budget hearing, testimony indicated that because of the increase in the number of events, the program typically collected more revenue annually than was expended. The administrator voiced no opposition to the recommendation.

The Subcommittee must consider whether to approve the Governor's recommendation for a one-time transfer from the Amateur Boxing Program reserve to the General Fund. Ms. Waller advised the Subcommittee should also consider reducing the Athletic Commission's General Fund appropriation in FY 2010 by using the reserves to fund a portion of the budget, rather than holding the reserve, and to revert it at the end of FY 2011.

Chair Horsford asked whether the youth boxing programs that received a portion of these funds would be affected by the transfer.

Ms. Waller responded that the division administrator assured Fiscal Analysis Division staff that the program provided funding as needed for such programs. The feedback from the organizations was that they received sufficient funding for the programs.

Senator Rhoads was unable to get the program to support the High School Rodeo because it only supported amateur boxing. The revenue was received from fees added to the ticket prices. In his opinion, it was a good program.

Chair Horsford supported the one-time transfer but wanted to ensure the transfer would not affect youth programs that received the funding.

Dianne Cornwall, Director, Department of Business and Industry, confirmed that there were sufficient funds to support the youth athletic programs. She agreed it was a good program.

Following a poll of the Subcommittee, Chair Horsford noted there was no opposition to the one-time transfer of reserves. In the future, the ticket surcharge revenue should be used for operating expenses rather than accumulating in a reserve account. He requested Fiscal Analysis Division staff to prepare an allocation formula.

DEPARTMENT OF BUSINESS AND INDUSTRY
LABOR COMMISSIONER (101-3900)
BUDGET PAGE B&I-226

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, presented the issues for budget account (BA) 3900, the Labor Commissioner. The Executive Budget proposed the elimination of three vacant administrative assistant positions as a continuation of the 2007-2009 biennium budget reductions. The budget account was funded with General Funds. The recommendation resulted in General Fund savings of \$121,404 in FY 2010 and \$122,951 in FY 2011.

According to Ms. Waller, the Labor Commissioner indicated the elimination of the positions had caused inadequate staffing levels to be able to maintain client services and perform all statutorily required duties, particularly as related to the apprenticeship program and private employment agencies. As a result, in conjunction with this recommendation, the Labor Commissioner proposed to cease the licensing and regulation of private employment agencies and to eliminate the duty to oversee the state's apprenticeship program. The Department of Administration submitted bill draft request (BDR) 53-1199 (later introduced as Senate Bill 410) related to private employment agencies and BDR 53-1200 (later introduced as Senate Bill 413) related to the apprenticeship program. Oversight responsibility for the apprenticeship program was proposed to be transferred from the state to the U.S. Department of Labor.

Ms. Waller also noted that Assembly Bill (A.B.) 302 proposed the creation of the Office of Apprenticeship within the Office of the Labor Commissioner. It would require the State Apprenticeship Council to adopt regulations establishing a schedule of registration fees and annual assessments payable by apprenticeship programs. Three non-General Fund positions would be added under A.B. 302, at a cost of \$321,118 in FY 2010 and \$307,438 in FY 2011.

The Subcommittee should consider the following options:

1. Approve the Governor's recommendation to eliminate three positions in the Labor Commissioner's budget and consider the elimination of the Labor Commissioner's licensing and regulation duties of employment agencies and the oversight of the apprenticeship programs (BDR 53-1199 and BDR 53-1200).
2. Do not approve the Governor's recommendation to eliminate three positions and restore one, two, or three of the positions. General Funds required for the restoration of the positions, excluding the six percent salary and benefit reductions, was as follows:

	<u>FY 2010</u>	<u>FY 2011</u>
One position restored	\$ 42,724	\$ 43,235
Two positions restored	\$ 82,061	\$ 83,093
Three positions restored	\$121,404	\$122,951

Senator Horsford disclosed that the Culinary Training Academy had an apprenticeship program, but it did not materially affect him. Therefore, he would participate in the discussion.

Assemblywoman Koivisto asked if the Subcommittee supported option 2 and A.B. 302 passed, whether the funding for the three positions would be paid by non-General Fund or if the positions would be General Fund positions.

Ms. Waller explained that if A.B. 302 passed, the positions would be funded with non-General Fund registration fees.

Assemblywoman McClain inquired if that meant three additional positions.

Mark W. Stevens, Assembly Fiscal Analyst, Fiscal Analysis Division, advised the Subcommittee that A.B. 302 had not been reviewed in detail by the Fiscal Analysis Division. He would have the answer prior to budget closings.

Assemblywoman McClain asked if the Subcommittee chose to restore three positions and A.B. 302 passed, whether the positions would be non-General Fund or General Fund positions.

Mr. Stevens explained that because this was a work session, the Subcommittee could make a decision if they chose to. Options would be presented by Fiscal Analysis Division staff at the time of budget closings. Whether the positions would be General Fund or non-General Fund would be outlined in the closing documents.

Senator Horsford asked how many positions were needed to restore the support to the apprenticeship and private employment agency programs.

Chair Denis requested the Labor Commissioner to respond.

Michael Tanchek, Labor Commissioner, stated it was interesting to him how the positions were being reviewed. His contention was that if he could maintain the three administrative assistant positions that were slated for elimination, the Labor Commission could "limp along" with the apprenticeship program. The problem was that the U.S. Department of Labor, who had oversight of the programs, noted in their audit findings that the Office of Labor Commissioner was understaffed. With the three administrative positions that were proposed for elimination, job duties could be reallocated. It appeared to him that it would be less expensive than creating a new program as outlined in A.B. 302.

Assemblyman Hogan inquired whether any of the three positions scheduled for elimination performed duties related to the licensing of private employment agencies.

Mr. Tanchek responded that the person who had taken over those responsibilities was the administrative assistant who also functioned as the administrative services officer and the financial officer for the wages and hours

program. He did not support either BDR 53-1199 or BDR 53-1200. He was short of staff with only 17 people to cover the entire state.

Senator Hardy disclosed that he was the President of the Associated Builders and Contractors of Las Vegas which sponsored an apprenticeship program.

Senator Hardy questioned whether there was a duplication of effort because the U.S. Department of Labor was an overseer of the program.

Mr. Tanchek believed there was a small amount of duplication, but it was more of a complementary relationship.

In response to a question from Senator Hardy, Mr. Tanchek stated that approximately 26 states had programs similar to Nevada, and 24 states had programs overseen by the U.S. Department of Labor.

Senator Hardy suggested the priority should be the health and well-being of the programs, but all options should be thoroughly reviewed and considered.

Assemblyman Conklin stated that when the unemployment rates were high, every job became more valuable to the worker, but not necessarily to the employer. There was the potential for improprieties in the workplace, and the legislators must be cognizant that with every cut made, somebody was going to suffer.

Mr. Tanchek commented that there had been a tremendous increase in the number of complaints. He estimated that 14 percent of the complaints received would never be addressed because he did not have the staff necessary for investigations. In the past, most of the complaints were employee/employer disputes. The bulk of the current complaints were because of total business collapse where entire payrolls were unmet.

Senator Hardy suggested that the U.S. Department of Labor could temporarily oversee the apprenticeship programs.

Mr. Tanchek did not believe the U.S. Department of Labor would accept temporary responsibility.

Senator Horsford recommended the Subcommittee postpone any decision until after the hearing on A.B. 302.

The Subcommittee agreed with Senator Horsford's recommendation; therefore, Chair Denis requested Ms. Waller to move to the next budget account for consideration.

DEPARTMENT OF BUSINESS AND INDUSTRY
EMPLOYEE MANAGEMENT RELATIONS BOARD (101-1374)
BUDGET PAGE B&I-231

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, reviewed the Local Government Employee-Management Relations Board (EMRB) budget account (BA) 1374 for the Subcommittee. The Governor recommended changing the funding source from General Fund to fee-based by assessing fees to local jurisdictions. The resulting savings to the General Fund would be \$212,005 in fiscal year (FY) 2010 and \$212,441 in FY 2011.

Bill draft request (BDR) 23-1208 (later introduced as A.B. 540) was submitted by the Department of Administration to legislate the change.

Additionally, Ms. Waller noted that an advisory committee was formed to evaluate and discuss the plan for EMRB to become self-funded. The advisory committee proposed an initial per-employee assessment of \$7, not to exceed \$10, assessed on local government employers, including school districts.

Because the fees would not be assessed in time to support the operations of the EMRB, Ms. Waller advised that legislation would be required to allow for a General Fund advance to support the budget until the fees were collected and could support the EMRB.

The Subcommittee options for consideration included:

1. Approval of the Governor's recommendation to change EMRB's funding source to fee-based. This option would require passage of A.B. 540.
2. Restoring funding to retain EMRB as a state-funded entity. General Funds of \$212,005 in FY 2010 and \$212,441 in FY 2011 would be required.

Assemblywoman Koivisto commented that school districts were underfunded. She wanted to know how much the school district would have to pay if the EMRB became self-funded.

Ms. Waller responded that Fiscal Analysis Division staff could calculate the cost to the school districts and provide the information to the Subcommittee.

Senator Woodhouse agreed with Assemblywoman Koivisto's comments. The problem, it appeared to Senator Woodhouse, was that it would be difficult for school districts to come up with an additional fee.

Assemblywoman McClain assumed the fee was estimated from 30,000 local government employees at \$7 each.

Ms. Waller explained that the \$7 came from adding the employee groups and dividing the total number into the budget to calculate the cost. It was her understanding that the fee would be assessed to the local government employers. Whether or not they would pass that cost on to their employees would be left up to them.

Assemblywoman McClain inquired whether the fee would be charged to employees.

Dianne Cornwall, Director, Department of Business and Industry, assured the Subcommittee that there was specific language in the bill to ensure the employees would not be charged for the service.

Responding to Assemblywoman McClain, Ms. Cornwall noted that approximately 30,000 employees was an accurate number. The calculation was based on the number of employees served by entity.

Senator Hardy was interested in the breakdown of employees served by entity.

Ms. Cornwall would provide the information for the Subcommittee.

Assemblyman Conklin agreed with Assemblywoman McClain and Senator Woodhouse regarding the school district assessment. It occurred to him that the state would pick up the education portion in some fashion. The state would fund education to some mandatory level and that would include the school district portion of this fee. There would also be a portion that the cities and counties would be required to pay when their employees participated in the program. The state employees were not participants in the program.

According to Ms. Cornwall, university system and state employees did not participate in the program; however, cities and counties did participate.

Assemblyman Conklin suggested support for education personnel covered under General Fund. For those that were not covered under General Fund, there could be a requirement that they be paid for by the entities.

Ms. Waller commented that the funding provided by the state for school districts was made through basic support. The school districts had the option to decide how the funding was utilized based on actual expenditures. The state would probably not fund any charges for the fees assessed directly to the school districts, but rather the fee would be included in the basic support funding that was provided to the school districts.

Senator Horsford supported Assemblyman Conklin's suggestion to the extent that the school districts were held harmless because they were covered by the state. He did not understand why the state was paying for a service that local government employees provided.

Chair Denis requested Assemblyman Conklin restate his proposal to ensure the Subcommittee understood correctly.

Assemblyman Conklin proposed that the state pick up out of General Fund, the portion that covered the cost for education employees. That amount would come out of the General Fund or the Distributive School Account (DSA) in one way or another. The portion that covered employees not currently funded by General Fund dollars would be charged to the entity that paid for those employees.

Noting that the Subcommittee was in agreement, Chair Denis closed the issue and moved to the next account.

DEPARTMENT OF BUSINESS AND INDUSTRY
CONSUMER AFFAIRS DIVISION (101-3811 AND 101-3807)
BUDGET PAGE B&I-96 and 167

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the Governor recommended the elimination of the Consumer Affairs Division (CAD) for an estimated General Fund savings of \$1 million in fiscal year (FY) 2010 and \$1.5 million in FY 2011. A total of 18 positions would be eliminated which would result in 15 layoffs. The Governor's recommendation also eliminated the Consumer Affairs Recovery Fund (budget account 101-3807) and included a one-time transfer of \$34,088, the ending cash balance, from the Recovery Fund to the General Fund at the end of FY 2011.

Ms. Waller noted that the only function the Governor proposed to transfer to another state agency was the investigation of auto repair and sales complaints,

which would be transferred to the Department of Motor Vehicles (DMV) along with two investigators housed in the Consumer Affairs Division. Other responsibilities of the Division, such as licensing and registration of various organizations, were recommended to be discontinued. General Fund revenues generated from licensing and registration fees would cease if the Division was eliminated. The director of the Department of Business and Industry had indicated that CAD's efforts would continue utilizing the existing Fight Fraud Taskforce which operated in the Director's office. The Department of Administration submitted bill draft request (BDR) 18-1201 (later introduced as A.B. 561) to effectuate changes to eliminate CAD.

Ms. Waller outlined the options for consideration by the Subcommittee, as follows:

1. Approve the Governor's recommendation to eliminate the Consumer Affairs Division resulting in General Fund savings of \$1 million in FY 2010 and \$1.5 million in FY 2011. This required approval of A.B. 561.
2. Do not approve the Governor's recommendation to eliminate the Consumer Affairs Division. Additional General Funds to maintain CAD would be \$1 million in FY 2010 and \$1.5 million in FY 2011.
3. Do not approve the Governor's recommendation to eliminate CAD, but prioritize the essential services provided by CAD and fund those functions accordingly. Additional General Funds would be required depending on the Subcommittee's selection of essential services. Fiscal Analysis Division staff would calculate the additional costs prior to budget closing based on the restored services identified by the Subcommittee.
4. Do not approve the Governor's recommendation to eliminate CAD entirely, but rather implement an across-the-board percentage cut. Additional General Funds would be required depending on the percentage to be cut.

Senator Horsford supported option 3. His decision was based on testimony that improvements could be made in CAD by focusing on priorities. One of the areas that he believed should be discussed with legislative leadership was which entity would be responsible for loan modification. The registration and licensing enforcement needed to be improved. He proposed that CAD be considered as that entity but only if the list of current areas of responsibility was scaled back.

Assemblywoman McClain commented that the proposal was to pay for the two investigators from the Highway Fund once they were transferred to DMV. In her opinion, the Highway Fund could not support the salary of two additional investigators.

Chair Denis requested clarification on the issue and whether DMV was willing to accept the transfer of the investigators.

According to Ms. Waller, DMV was willing to accept the transfer and was in the process of preparing the budget amendment to accept the two investigators.

Sharon Jackson, Deputy Chief Investigator, Consumer Affairs Division, stated that there was an error in the budget documents. The CAD intended to transfer one investigator and appurtenances to DMV.

Assemblywoman McClain was certain the DMV budget indicated two investigators were being transferred and would be paid from Highway Funds.

Ms. Jackson commented that only one investigator was transferring to DMV from CAD, but another investigator could be transferring from elsewhere.

Assemblywoman McClain voiced concerns regarding paying for two additional positions from Highway Funds. She believed that with the cap on Highway Funds, DMV could not afford additional personnel.

Senator Hardy endorsed the Governor's recommendation. He acknowledged that CAD played an important role; however, he also believed that CAD supplanted what private resources, such as the chambers of commerce and Better Business Bureaus, could provide. He thought that automobile repair and sales occupied the majority of the time for CAD and should to be transferred to an agency such as DMV.

Assemblyman Hogan remarked that there seemed to be a pattern of identifying some areas that needed to be improved. In his opinion, the concept and carrying out of consumer protection was weak in Nevada. This was a critical time to withdraw support for the consumer because the problems were increasing and becoming more complicated. He, therefore, agreed with Chair Denis that option 3. was acceptable but should be closely scrutinized.

Assemblywoman McClain agreed that option 3. was the best choice but said the Subcommittee should review the essential services and determine what functions should be performed.

Senator Rhoads agreed with Senator Hardy and endorsed the Governor's recommendation to eliminate CAD.

Assemblyman Conklin pointed out that the Consumer Advocate was located in the Attorney General's Office under the Bureau of Consumer Protection (BCP) and was not a part of CAD. When reviewing the services provided by CAD, he noted the "do not call" complaints should go to the BCP. He suggested that some of the areas needed to be consolidated and directed to the proper area of jurisdiction which would reduce the services that CAD was providing.

Chair Denis noted that CAD also addressed areas of regulation that would be unregulated if CAD was eliminated.

Assemblyman Conklin agreed that a review was necessary, and CAD should not be eliminated entirely.

Senator Horsford suggested working with the CAD administrator and Fiscal Analysis Division staff to determine what areas were statutorily authorized and what functions could be redirected. It appeared CAD could be scaled back and the focus redirected.

According to Senator Horsford, the Subcommittee would meet prior to budget closings to determine the priorities for CAD and confer with the CAD administrator and the director of the Department of Business and Industry.

Following a poll of the Subcommittee, Chair Denis agreed to the recommendations of Senator Horsford.

DEPARTMENT OF TAXATION (101-2361)
BUDGET PAGES TAXATION-1

Alexander Haartz, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, provided a brief overview of the Department of Taxation, budget account (BA) 2361. As the Subcommittee heard during earlier testimony from the agency, part of the strategy for meeting the current biennium budget reductions was to hold 29.51 full-time equivalent (FTE) positions vacant. Three issues facing the Subcommittee dealt with those positions as proposed by the Governor in The Executive Budget.

Mr. Haartz addressed the options which the Subcommittee should consider as follows:

1. Restore 23 FTE positions and eliminate 6.51 FTE positions in each year of the biennium. The funding to restore the 23 FTE positions was included in the Governor's recommended budget in the agency's adjusted base. The positions to be restored were primarily auditor 2 positions, which were difficult to fill and retain.
2. Eliminate all 29.51 FTE positions which would result in a General Fund savings of approximately \$1.44 million in fiscal year (FY) 2009-2010 and \$1.50 million in FY 2010-2011.

Assemblywoman McClain pointed out that if the Subcommittee selected option 2. and eliminated all of the positions, the state could see a General Fund savings, but lose tax collection revenue. Therefore, she recommended approval of option 1.

Chair Denis noted it was the consensus of the Subcommittee to approve the Governor's recommendation.

Mr. Haartz addressed decision units Enhancement (E) 805 and E126 for the Subcommittee.

Decision unit E805 proposed to reclassify 15 FTE of the 23 FTE restored positions to lower-level positions as outlined in the following table:

Current Classification	Proposed Classification (E805)	Grade Change Current/Proposed	Redeployed to Call Center (E126)	Number of Positions
Auditor 2	Tax Examiner 2	34/30	Yes	10
Auditor 2	Tax Examiner 2	34/30	No	1
Auditor 2	Revenue Officer 2	34/32	No	1
Auditor 3	Revenue Officer 2	36/32	No	2
Admin Asst 2	IT Technician 1	25/25	No	1

According to Mr. Haartz, as a result of reclassification to lower-level positions, there was a General Fund savings of \$94,738 in FY 2009-2010 and \$95,012 in FY 2010-2011. As noted in the table, the primary reclassification for the auditor 2 was to the tax examiner 2 position. The Department of Taxation testified at an earlier hearing that the tax examiner 2 provided consumer information, and the reclassification was consistent with current position functions.

Decision unit E126 proposed to redeploy 10 FTE of the 23 FTE restored positions to a new Taxpayer Assistance Telephone Call Center (TATCC). It was the strategy of the Governor and the Department of Taxation to improve response time for taxpayer inquiries. Mr. Haartz recalled that the Subcommittee heard testimony that the Department currently responded to 55 percent of the telephone inquiries within 5 days. The benefit of a TATCC, according to the Department, would be an improvement in the rate of telephone call returns which would translate into more accurate and timely payments.

Assemblyman Conklin asked whether there would be a problem filling the tax examiner 2 positions because they were lower-level positions than the auditor 2.

Dino DiCianno, Executive Director, Department of Taxation, did not foresee a problem recruiting for the tax examiner 2 positions.

Assemblywoman McClain believed the idea behind reclassification was a retention effort.

Mr. DiCianno acknowledged that was a major concern.

Assemblywoman McClain supported the Governor's recommendation for reclassification. The Subcommittee concurred.

Mr. Haartz moved to the area of a Streamlined Sales Tax Project (SSTP) and recalled that the Subcommittee heard discussion during the Department budget hearing regarding the issue. The SSTP was incorporated in the Department request but was not incorporated in the Governor's recommended budget for funding a technology investment request (TIR).

According to Mr. Haartz, there was testimony from the Department that the benefit to implementing the SSTP at this time was to pre-position the state in the event federal law changed. The Department testified that while states currently collected on a voluntary basis from remote sellers, there was no requirement for mandatory collection and payment by those sellers.

Mr. Haartz noted that the Governor did not include funding for the TIR in the recommended budget. If federal law changed during the interim, the Department could appear before the Interim Finance Committee (IFC) to seek funding to pursue the TIR to create the automated program for remote sellers to transmit payment to the state. The two options available to the Subcommittee were as follows:

1. Fund the Department's TIR at the original \$3.16 million cost.
2. Wait until the Department received a revised estimate to allow further review. The estimate should be available prior to budget closing for this account.

Chair Denis believed that option 2. was the best choice.

Assemblywoman McClain inquired whether Chair Denis suggested waiting for two years.

Chair Denis stated that he thought the state should get an estimate and allow the Department to appear before IFC, if necessary.

Mr. Haartz pointed out that if federal law changed, funding would have to be made available to fund such a request, whether or not it was pre-funded through the budget process.

The Subcommittee agreed to put the decision on hold pending receipt of an estimate.

Mr. DiCianno believed the estimate should be received within a week and would be provided to the Fiscal Analysis Division staff.

Chair Denis pointed out that the question was not whether to go with option 2., but how much money would need to be set aside for the interim to support the option.

There being no further questions or public comments, Chair Denis adjourned the Subcommittee at 10:39 a.m.

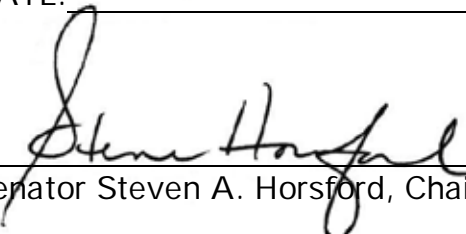
RESPECTFULLY SUBMITTED:

Linda Blevins
Committee Secretary

APPROVED BY:



Assemblyman Mo Denis, Chair

DATE: _____


Senator Steven A. Horsford, Chair

DATE: _____

EXHIBITS			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on General Government and Accountability</u>			
Date: <u>March 24, 2009</u>		Time of Meeting: <u>8:18 a.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster