

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

**Seventy-fifth Session
April 30, 2009**

The Joint Subcommittee on General Government and Accountability of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Steven A. Horsford at 8:11 a.m. on Thursday, April 30, 2009, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

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

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Steven J. Abba, Principal Deputy Analyst
Rick Combs, Senior Program Analyst
Sarah Coffman, Program Analyst
Joi Davis, Program Analyst
Jeffrey A. Ferguson, Program Analyst
Alex Haartz, Program Analyst
Heidi Sakelarios, Program Analyst
Julie Waller, Program Analyst
Barbara Richards, Committee Secretary

OTHERS PRESENT:

Greg T. Weyland, MBA, CPM, Division Administrator, Administrative Services,
Department of Personnel
Patrick Cates, Deputy Director, Director's Office, Department of Cultural Affairs
Susan Boskoff, Executive Director, Nevada Arts Council, Department of Cultural
Affairs
Dianne Cornwall, Director, Director's Office, Department of Business and
Industry
Stephen C. Woodbury, MPA, Chief Deputy, Government Affairs and
Administration, Nevada Commission on Tourism
JoLyn Laney, Deputy Director, Marketing and Advertising, Nevada Commission
on Tourism

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Michael E. Skaggs, Executive Director, Nevada Commission on Economic Development
Robin V. Reedy, Deputy Director of Administration, Director's Office, Department of Business and Industry

CHAIR HORSFORD:

The Subcommittee on General Government and Accountability is called to order. We will start with the Department of Administration.

Joi DAVIS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The first budget account is Insurance and Loss Prevention, Budget Account (B/A) 715-1352.

FINANCE AND ADMINISTRATION

ADMINISTRATION

Insurance & Loss Prevention – Budget Page ADMIN-29 (Volume I)
Budget Account 715-1352

I have distributed the Joint Subcommittee on General Government and Accountability Closing List #7 ([Exhibit C](#), original is on file in the Research Library) which includes technical adjustments for Staff's authority to adjust accounts based on changed rates, cost allocations or assessments.

The issue on this first budget account is the Workers' Compensation (WC) reserve balance. There was some concern expressed during the budget hearing that the reserve balance of \$2.2 million at the end of fiscal year (FY) 2010-2011 was inadequate. This is based on previous policy by the Agency to retain a reserve balance of twice the policy deductible amount which in this case is \$3 million. Staff discussed this with the Agency and the Budget Office. It was determined the rate for WC will not need to be adjusted. This is based on updated revenue projections, in addition to a history of WC claims and how they have been paid. The budget is currently funded at 83.26 percent. Typically, WC claims come in more in the range of 58 percent to 62 percent. This appears reasonable to Staff.

On page 3 of [Exhibit C](#) is a list of some proposed legislation before the 75th Legislative Session. These bills relate to WC issues. The Agency and Staff will continue to monitor these bills as they progress.

Budget Amendment No. 9 is for \$35,227 in each year of the biennium due to the inadvertently omitted portion of the Fidelity Insurance premium. Additionally, there was an overstated amount for commission costs. Staff recommends the budget be closed with the approval of Budget Amendment No. 9 and that the remainder of the account be closed as recommended by the Governor.

SENATOR RHOADS MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF BUDGET AMENDMENT NO. 9; THE REMAINDER OF B/A 715-1352 BE CLOSED AS RECOMMENDED BY THE GOVERNOR; TO AUTHORIZE STAFF TO MAKE TECHNICAL

ADJUSTMENTS FOR FINAL STATEWIDE ASSESSMENTS FOR THE DEPARTMENT OF INFORMATION TECHNOLOGY, ATTORNEY GENERAL, STATEWIDE COST ALLOCATION PLAN, DEPARTMENT-WIDE COST ALLOCATION, FOR REVISED COMPUTER HARDWARE AND SOFTWARE; AND FOR CHANGES TO THE GOVERNOR'S RECOMMENDATIONS REGARDING SALARIES AND BENEFITS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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CHAIR HORSFORD:

We will now hear from the Department of Taxation.

TAXATION

Department of Taxation – Budget Page TAXATION-1 (Volume I)
Budget Account 101-2361

ALEX HAARTZ (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

On the Department of Taxation budget there is one holdover item from the Subcommittee's Work Session on April 2, 2009, in which all the other items were addressed. Just before that hearing, the Department of Taxation reprojected revenues for its enhanced lockbox contract services with JP Morgan Chase which includes the scanning and electronic storage of tax documents. Their reprojection indicated the revenue contained in the *Executive Budget* was going to be insufficient. Staff asked for permission to defer the issue and work with the Budget Office and the Department to review it further and then bring it back to the Subcommittee. We concluded there is insufficient information at this time to project accurately an increased cost, other than the annualized cost for this fiscal year. This fiscal year represents the first full year of operation for the enhanced contract services.

The recommendation before the Subcommittee is cost neutral. It does not require additional General Funds. It appears the Department's overtime needs for both fiscal years can be reduced by \$130,000 in each year of the biennium. Staff recommends \$130,000 be reduced from the personnel line and moved to the lockbox contract line to cover any projected increase in contract costs for the biennium. It still maintains the cost savings the Subcommittee generated in the prior hearing, but with the delay of the migration to the Department of Information Technology (DoIT) Storage Array Network (SAN).

Staff believes the approach should be to revise the budget authority from category 1 to category 15.

ASSEMBLYMAN GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF THE REVISION TO THE

EXECUTIVE BUDGET TO REDUCE OVERTIME COSTS BY \$130,000 AND INCREASE LOCKBOX SERVICES CONTRACT COSTS BY \$130,000 AS ADJUSTED BY STAFF.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

SARAH COFFMAN (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next budget account is Personnel, B/A 717-1363.

PERSONNEL

Personnel – Budget Page PERSONNEL-1 (Volume I)
Budget Account 717-1363

The major issue on page 8 of [Exhibit C](#) recommends the internalizing of maintenance of the Advantage-HR Payroll System through the passage of Budget Amendment No. 35 submitted by the Budget Office. During the Subcommittee hearing, the Subcommittee suggested the Advantage-HR system be internalized. This was in response to decision unit E-275 which requests additional funds of \$19,790 in each year to support a rate increase by the master services agreement (MSA) contractor currently responsible for maintaining the system. If Budget Amendment No. 35 is approved, the Department indicates it would need an additional DoIT programmer dedicated to the Department of Personnel (DOP). According to the Department and the DoIT, this position would need one full year of training on the Advantage-HR system with the MSA contractor. The MSA contract will expire on June 30, 2010, and the new DoIT programmer will be responsible for maintaining the system with the assistance of two additional DoIT programmers currently dedicated to the Advantage-HR system. There would be an initial increase in funding of \$147,897 in FY 2009-2010. However, in FY 2010-2011 and each year thereafter, the Department would realize a savings of \$52,851.

E-275 Maximize Internet and Technology – Page PERSONNEL-3

Staff has provided a number of potential options for the Subcommittee to consider:

Option No.1: To approve Budget Amendment No. 35 and to provide the MSA contractor with the additional \$19,790 in FY 2009-2010 for the hourly rate increase.

Option No. 2: To approve Budget Amendment No. 35 but not to provide the MSA contractor with the additional \$19,790 increase. Instead, the Subcommittee could recommend the DOP reduce the number of hours the MSA contractor performs for them.

Option No. 3: Not to approve Budget Amendment No. 35 but to approve the rate increase for the MSA contractor.

Option No. 4: Not to approve Budget Amendment No. 35 and not to approve the recommended increase for the MSA contractor. If this option is chosen, the DOP would have to decrease the hours that the MSA contractor works.

CHAIR DENIS:

We need a discussion on this. I like Option No. 2. We train the new person to take over for the contract duration. They want to increase it by \$10 per hour. In this option, we are reducing the number of hours but are paying the same amount. I want to ask the Department the ramifications of all of this.

GREG T. WEYLAND, MBA, CPM (Division Administrator, Administrative Services, Department of Personnel):

The negative ramifications of fewer hours with the MSA would be the current backlog we have of changes to be made to the system over the next year. Adjustments need to be made continually. Any reduction in time would just reduce those and increase the backlog.

CHAIR DENIS:

There will be another full-time individual working with the new programmer. He would be assisting so the programmer could be taking care of the critical things. Could the two of them get caught up in a year's time?

MR. WEYLAND:

I would have to rely on the DoIT's expertise with their programmers as to what they could accomplish and what the transition would require between MSA and the new programmer.

CHAIR DENIS:

My concern is the backlog. This is the person who knows what they are doing. They have to train someone to perform these duties.

ASSEMBLYMAN GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE BUDGET AMENDMENT NO. 35, PROVIDING AN ADDITIONAL DOIT PROGRAMMER TO THE DOP WITH ONE YEAR OF TRAINING BY THE MSA CONTRACTOR, ELIMINATING MSA CONTRACTOR SUPPORT IN FY 2010-2011; TO RECOMMEND THE DOP REDUCE THE NUMBER OF HOURS IT CONTRACTS IN FY 2009-2010; AND NOT TO APPROVE DECISION UNIT E-275.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR HORSFORD WAS ABSENT FOR THE VOTE.)

Ms. COFFMAN:

The next major issue is in decision unit M-160, the Governor's recommendation to eliminate 1 full-time equivalent (FTE) administrative assistant and a .50 FTE compliance investigator. Both of these positions are currently vacant. The Department indicated that it was able to absorb the duties of the administrative assistant with its existing staff. The compliance officer was approved by the 74th Legislative Session to conduct sexual harassment and discrimination investigations in order to reduce the time it takes to complete an investigation. As of FY 2007-2008, it took an average of 69 days to complete a sexual harassment discrimination investigation. Due to the budget reductions, this position was never filled. The Agency indicates it is taking measures to streamline their administrative processes in conducting these investigations. The Department believes the measures it is taking will reduce the number of days it takes to complete an investigation to approximately 30 days. The position eliminations recommended by the Governor appear reasonable to Staff.

M-160 Position Reductions Approved in 07-09 – Page PERSONNEL-2

ASSEMBLYMAN GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF THE GOVERNOR'S RECOMMENDATION TO ELIMINATE 1 FTE ADMINISTRATIVE ASSISTANT III POSITION AND THE .50 FTE COMPLIANCE INVESTIGATOR II POSITION IN DECISION UNIT M-160 OF B/A 717-1363.

SENATOR RHOADS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR HORSFORD WAS ABSENT FOR THE VOTE.)

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Ms. COFFMAN:

The first of the closing items pertains to decision units E-500 and E-900 which transfer lease expenditures associated with training rooms located in Carson City from the Department of Administration (DOA) to the DOP. This appears reasonable to Staff.

E-500 Adjustments - Transfers In – Page PERSONNEL-4

E-900 Trans from Dept of Admin to Dept of Personnel– Page PERSONNEL-6

Decision unit E-501 recommends increasing rental revenue associated with two additional DoIT staff members renting space from the DOP. This appears reasonable to Staff.

E-501 Adjustments - Transfers In – Page PERSONNEL-4

Decision unit E-710 recommends replacement of equipment. Approximately \$88,261 is allocated for various computer hardware and software. This complies with the DoIT replacement schedule and is reasonable to Staff.

E-710 Replacement Equipment – Page PERSONNEL-6

A technical adjustment is shown at the bottom of page 9 of [Exhibit C](#). The Governor recommends decreasing the DOP's personnel assessment from .89 percent to .78 percent. The Governor also recommends decreasing the payroll assessment from .29 percent to .21 percent. Closing actions taken by the Senate Committee on Finance and the Assembly Committee on Ways and Means regarding State employee salaries may impact the DOP's reserve balance necessitating an adjustment in that assessment. Staff would request authority to adjust the two assessments accordingly.

ASSEMBLYWOMAN McCLAIN:

Were these assessments built on the six-percent reduction in salaries?

Ms. COFFMAN:

These assessments include the 6-percent reductions.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF THE CLOSING ITEMS OUTLINED IN DECISION UNITS E-500, E-900, E-501 AND E-710 OF B/A 717-1363 AS RECOMMENDED BY THE GOVERNOR; TO PROVIDE STAFF THE AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS TO THE PAYROLL AND PERSONNEL ASSESSMENTS BASED ON CLOSING DECISIONS MADE BY THE 75TH LEGISLATIVE SESSION; TO AUTHORIZE STAFF TO MAKE ANY NECESSARY TECHNICAL ADJUSTMENTS TO EMPLOYEE SALARIES AND FRINGE BENEFITS; AND TO MAKE NECESSARY TECHNICAL ADJUSTMENTS FOR FINAL DEPARTMENTAL COST ALLOCATIONS AND ASSESSMENTS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

Ms. COFFMAN:

The next budget account is State Unemployment Compensation, B/A 101-1339.

State Unemployment Compensation – Budget Page PERSONNEL-9 (Volume I)
Budget Account 101-1339

This budget account receives assessments on gross salaries for participating agencies and uses the funding to reimburse the Employment Security Division (ESD) for unemployment benefits provided to former State employees. There are no major closing issues in this account and Staff recommends it be closed as the Governor recommended.

SENATOR RHOADS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-1339 AS RECOMMENDED BY THE GOVERNOR.

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ASSEMBLYMAN DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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HEIDI SAKELARIOS (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next item is the Nevada Arts Council (NAC) within the Department of Cultural Affairs, B/A 101-2979.

EDUCATION

CULTURAL AFFAIRS

DCA - Nevada Arts Council – Budget Page CULTURAL AFFAIRS-94 (Volume I)
Budget Account 101-2979

During the Subcommittee hearing on April 23, 2009, the Subcommittee closed the budget for the NAC. Four actions were taken as a result which are summarized in [Exhibit C](#). Following the hearing there was uncertainty regarding the intent of the Subcommittee to eliminate the 2.2 FTE positions recommended in the Governor's budget. The Governor's recommended budget included the elimination of a cultural resource specialist, an administrative assistant and reduced the work hours for another cultural resource specialist from 40 hours a week to 32 hours a week. The Subcommittee voted to eliminate these positions as part of a larger vote to approve several decision units within the Governor's recommended budget. The Department indicated previously that restoring these 2.2 FTE positions would create a General Fund need of \$107,126 in FY 2009-2010 and \$108,139 in FY 2010-2011. Following the hearing, Department representatives indicated they would have preferred to have funding restored for the staffing, not solely for the grant programming. They have concerns they may not be able to sufficiently staff their office with the additional funding for programming.

I would seek clarification from the Subcommittee regarding its intent to eliminate the 2.2 FTE positions. The restoration of these positions was included in the Department's \$1.5-million restoration scenario. The restoration of funding for the grant programs was not included in the Department's \$1.5-million restoration scenario.

The NAC is receiving federal funds for the American Recovery and Reinvestment Act of 2009 (ARRA) which would add back \$300,500 to this budget account, \$50,000 of which would be for staffing and another \$250,500 would be for grants. The total add backs to the Department of Cultural Affairs to date total \$2.1 million for the biennium.

SENATOR WOODHOUSE:

Last week I was fighting for additional funding for the grant programs. In light of the affirmation by the NAC, I realize that if we eliminate the

2.2 FTE positions, it renders them unable to deliver the programs for which we provided the funds. I know there is no additional funding to restore the positions. I would like to ask the Subcommittee to consider the last item on page 13 of [Exhibit C](#). That would be to restore the 2.2 FTE positions and take the funding needed from the grant programs of \$107,126 in FY 2009-2010 and \$108,139 in FY 2010-2011. This would allow them to survive. When the Chair is ready for a motion, I would be happy to oblige.

CHAIR DENIS:

I want to ask the Department if we can get funding if we restore those positions.

PATRICK CATES (Deputy Director, Director's Office, Department of Cultural Affairs):

The three positions that would be impacted by the elimination are currently filled. We could potentially use some federal dollars to fund the positions, but we would have to take it from another category. We recently heard, but have not confirmed, there is a small increase to our federal grant. It would not be enough to cover all these positions. There is some potential for federal funding. We could do it by either reducing current programming and grants, or potentially some of it could come from new federal funding. We do not have an award yet.

SENATOR WOODHOUSE:

The second recommendation we have on page 13 of [Exhibit C](#) is one that I had not considered. I would like your response to it. We put additional funding in the grants programs that goes to local communities and schools. It took us over \$1 million in each year. If I understand this correctly, we would reduce the grants funding we previously provided, and fund the 2.2 FTE positions in each year of the biennium which would mean a decrease to the grants programs of \$107,126 in the first year and \$108,139 in the second year. Would that allow you to provide the programming you need?

SUSAN BOSKOFF (Executive Director, Nevada Arts Council, Department of Cultural Affairs):

We would prefer to have those positions restored to provide not only accountability for the grants that we award and take in, but also to provide the programs and services which go beyond the grant funding that goes out.

ASSEMBLYWOMAN MCCLAIN:

I agree with Senator Woodhouse. I think we can restore the positions by utilizing a portion of the increased grant funding we allocated at the previous closing.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO RESTORE 2.2 FTE POSITIONS RECOMMENDED FOR ELIMINATION BY THE GOVERNOR IN B/A 101-2979; AND TO REDUCE THE GRANT FUNDING PROPORTIONATELY IN EACH FISCAL YEAR OVER THE BIENNIUM TO FUND THE COSTS OF THE POSITIONS.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

Ms. SAKELARIOS:

The Department indicated in their \$1.5-million restoration scenario that if these 2.2 FTE positions were restored, it did not wish to transfer the 2 Fiscal Staff positions from the NAC to the Director's Office. Is that agreeable to the Subcommittee?

ASSEMBLYMAN DENIS MOVED TO RECOMMEND TO THE FULL COMMITTEES NOT TO TRANSFER THE TWO FISCAL STAFF POSITIONS FROM THE NAC TO THE DIRECTOR'S OFFICE IN B/A 101-2979.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

Ms. SAKELARIOS:

The Governor recommended the funding for the Holocaust Council be eliminated during the upcoming biennium. When the Subcommittee closed B/A 101-2892, the Cultural Affairs Commission, they indicated that \$40,000 should be retained in the budget for each year of the biennium to pay for the librarian at the Holocaust Library in southern Nevada. The Department and the Fiscal Analysis Division were encouraged to work together to seek other funding that might be available, other than General Funds. They followed up with the Department of Education and the Clark County School District and we have been told there are no funds available, either federal or ARRA funds.

CHAIR HORSFORD:

We are meeting with the Superintendents and I intend to introduce this for consideration.

We will go on to the Athletic Commission on page 21 of [Exhibit C](#).

JULIE WALLER (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next budget account is the Athletic Commission, B/A 101-3952.

COMMERCE AND INDUSTRY

BUSINESS AND INDUSTRY

B&I-Athletic Commission – Budget Page B&I-220 (Volume II)
Budget Account 101-3952

The Governor recommends a one-time transfer of \$155,865 in FY 2010-2011 from the Amateur Boxing Program (ABP) reserve, as shown in decision unit E-600. The reserve consists of unspent sporting event ticket surcharge funding. This is used to award grants to organizations that promote amateur boxing.

E-600 Budget Reductions – Page B&I-222

Assembly Bill (A.B.) 536 has been introduced to allow for this one-time transfer. During the previous closing hearing on April 9, 2009, the Subcommittee requested additional information about the ABP grant program and postponed the closing of the budget pending receipt and review of this information. The Subcommittee received the information and Staff has summarized the high points on [Exhibit C](#).

ASSEMBLY BILL 536: Requires the transfer of a certain sum of money from the Amateur Boxing Program Reserve of the Nevada Athletic Commission to the State General Fund. (BDR S-1213)

Based on Staff's review of the information provided, it appears that if outreach efforts for the ABP were expanded, increased utilization of the funding would likely result. At a minimum, the Commission should post information on its Website about the ABP. In closing the budget the Subcommittee may wish to direct the Athletic Commission to increase its outreach efforts related to this program.

In discussions with the Administrator, he indicates revenues may be higher than anticipated due to an increased number of events planned for May 2009. Therefore, an amount will carry over through FY 2009-2010 regardless of the one-time transfer.

Does the Subcommittee wish to approve the Governor's recommendation for a one-time reduction of \$155,865 from the ABP reserve?

CHAIR HORSFORD:

We received information from some of the youth programs that currently receive funding. They could utilize this funding as well as any increased funding from this action. It would be my desire not to revert this money to the General Fund and to allow the Athletic Commission to continue its process as it currently does.

CHAIR DENIS:

There might be additional things we could do. There may be some opportunities we are missing. We need to make some changes. Right now it has to be only in boxing, but there are probably a lot of other programs that could use these funds. We would have to make a change to the law.

SENATOR HARDY:

I do not support the transfer either. I am concerned about the precedent we would be setting when we take a fund like this, one that is geared toward something that is paid into for a specific purpose to enhance, and just revert it. I am mindful of the fact we are creating another hole in the budget, but I will support a motion not to transfer it.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES NOT TO APPROVE THE GOVERNOR'S RECOMMENDATION FOR A ONE-TIME REDUCTION OF \$155,865 FROM THE ABP RESERVE AS OUTLINED IN DECISION UNIT E-600 OF B/A 101-3952.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

ASSEMBLYMAN GOICOECHEA:

We passed A.B. 536 in the Assembly Committee on Ways and Means yesterday. I am concerned because we are not supporting it today. I realize that if the Senate does not pass it, we need to reconcile it. It is an issue.

CHAIR HORSFORD:

Is there any other discussion? Hearing none, we will vote on this motion.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYMAN GOICOECHEA VOTED NO.)

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MS. WALLER:

In decision unit E-400, the *Executive Budget* recommends restoration of funding for the Athletic Commission to contract with a consulting research physician. The 74th Legislative Session appropriated \$75,000 each year of the 2007-2009 biennium. The Governor recommends reinstating \$25,000 each fiscal year to restore that amount to the legislatively approved level of \$75,000 each fiscal year. Based on discussion and information provided by the Agency, this recommendation appears reasonable to Staff.

E-400 Access to Health Care and Health Insurance – Page B&I-222

In decision unit E-401, the Governor recommends \$16,492 to reinstate the General Fund support for the Drug and Steroid Testing program. This would bring the level to \$18,000 for each fiscal year. After discussion with the Commission, regarding the number of athletes to be tested and the cost per test, it appears this decision unit could be reduced by \$5,400 each fiscal year for a total of \$10,800. This would be Staff's recommendation.

E-401 Access to Health Care and Health Insurance – Page B&I-222

SENATOR RHOADS MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF THE GOVERNOR'S RECOMMENDATION IN DECISION UNITS E-400 AND E-401 OF B/A 101-3952 TO RESTORE FUNDING FOR THE ATHLETIC COMMISSION TO CONTRACT WITH A CONSULTING RESEARCH PHYSICIAN; TO REINSTATE FUNDING FOR THE RANDOM DRUG TESTING PROGRAM, BUT TO REDUCE THE FUNDING AMOUNT BY \$5,400 EACH FISCAL YEAR, BRINGING THE TOTAL ANNUAL FUNDING AVAILABLE FOR RANDOM DRUG TESTING TO \$12,600; TO AUTHORIZE STAFF TO MAKE ANY NECESSARY ADJUSTMENTS TO EMPLOYEE SALARIES AND FRINGE BENEFITS; AND TO ADJUST THE VARIOUS COST ALLOCATIONS AND ASSESSMENTS AS NECESSARY.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

ASSEMBLYWOMAN MCCLAIN:

What was the actual cost of the contract for the consulting research physician?

MS. WALLER:

The initiation of the program was in FY 2007-2008. They spent approximately \$50,000. However, in FY 2008-2009, the program was up and running, and they are spending at the \$75,000 level.

DIANNE CORNWALL (Director, Director's Office, Department of Business and Industry):

In discussing this issue with Mr. Keith Kizer, the administrator for the Athletic Commission, he indicated the board members feel it is important to make certain they can do random drug testing for the people participating in these contests. It helps to keep the industry clean. This is a good revenue source for the State of Nevada, and drives tourism, basically for Clark County, and we want to make certain everyone is clean and in line.

MS. WALLER:

For clarification, the 74th Legislative Session approved a number of safety enhancements, including the physician research contract for the random drug testing. It also included funding of approximately \$150,000 for various scans. The Athletic Commission surrendered the entire amount both years of the biennium and has not requested a reinstatement of that funding for the upcoming biennium.

CHAIR HORSFORD:

We have a motion. We need a vote.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

JEFFREY A. FERGUSON (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next budget account is the Taxicab Authority, B/A 245-4130.

B&I-Taxicab Authority – Budget Page B&I-236 (Volume II)
Budget Account 245-4130

This budget had a closing hearing but there were concerns, primarily with the reserves and some of the transfers to the Senior Ride Program. We would like to clarify these issues and propose an alternative.

There was concern about the reserves in this budget. The Governor recommends reserves at the end of the 2009-2011 biennium of \$2.46 million. The generally accepted reserve level is \$1.6 million which is about three months of operating expenditures. The primary reason the reserves are higher is due to the Governor's recommended salary and fringe benefit reductions. The reductions are balanced to reserves which add \$950,000 to its reserve level.

The other issue is the 20-cent trip charge that basically funds a majority of this budget. That trip charge is bringing in less than anticipated. It will likely affect this reserve.

Decision unit E-325 reduces transfers to the Senior Ride program in the Division of Aging Services (DAS) by \$22,436 over the biennium. The Subcommittee members were concerned this would impact the Senior Ride program. These reductions are due to the salary and fringe reductions. There are two positions that are funded in the DAS budget for Senior Ride. This would not decrease the number of coupons available for Senior Ride. In fact, the transfers budgeted to go to the DAS budget in support of Senior Ride increased by 9.2 percent in FY 2009-2010 and 9.9 percent in FY 2010-2011.

E-325 Services at Level Closest to People – Page B&I-239

If the Subcommittee wishes to approve the Taxicab Authority budget as recommended by the Governor, it may wish to consider issuing a letter of intent directing the Agency to work with representatives from the DAS to identify potential improvements that could be made to the Senior Ride program. These improvements could be presented to the Interim Finance Committee (IFC) approximately six months into the 2009-2011 biennium.

At the top of page 27 of [Exhibit C](#), there are two issues that could be mentioned in the letter of intent. One would be to study more effective ways to utilize funding. This could be things such as removing the monthly limit on coupon books and possibly reducing the cost of the coupon books. Currently, they are \$10 for \$20 worth of coupons. That could potentially be reduced to \$8 or \$9. Approximately six months into the biennium, the Agency will have a better idea of what the reserves will likely be. If the reserves are healthy, the Agency could propose to the IFC to add more funding with specific ideas of its use in the Senior Ride program.

ASSEMBLYWOMAN McCLAIN:

The Senior Ride program is important to seniors who no longer drive. There are things that should be explored. For one thing, 62 is a low age for a senior, especially when you realize that 95 percent of the people over age 65 still have driver's licenses. I would support closing this budget as recommended by the Governor with a letter of intent to look at the Senior Program ride. Maybe we

could streamline and get more people who really need it to get on the program, and also provide some education on it. Cab drivers do not like to pick up people with coupons because they feel they will not tip.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF B/A 245-4130 AS RECOMMENDED BY THE GOVERNOR; TO ISSUE A LETTER OF INTENT PRESENTED TO THE IFC SIX MONTHS INTO THE 2009-2011 BIENNIUM DIRECTING THE AGENCY TO WORK WITH THE DAS TO IDENTIFY POTENTIAL IMPROVEMENTS TO THE SENIOR RIDE PROGRAM; TO AUTHORIZE STAFF TO MAKE ADJUSTMENTS TO SALARY AND FRINGE BENEFITS; AND TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL ASSESSMENTS AND ALLOCATIONS.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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RICK COMBS (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next budget account is the Tourism Development Fund, B/A 225-1522.

COMMERCE AND INDUSTRY

ECONOMIC DEVELOPMENT AND TOURISM

Tourism - Tourism Development Fund – Budget Page ECON DEV & TOURISM-27
(Volume II)

Budget Account 225-1522

Decision unit E-125 is the Governor's recommendation to fund the Commission with General Funds instead of room taxes. The Governor recommended placing all room taxes from the revenue source into the General Fund and then funding the Commission's operations at a reduced level with General Funds to generate additional General Fund savings during the biennium. At the various hearings we have had on this account, the room tax projections were originally built into the *Executive Budget* at \$17.7 million in the first year of the biennium and \$18.7 million in the second year. The projections provided by the Commission in March 2009 reduced that to about \$15.7 million in the first year of the biennium and \$16.3 million in the second year. In April 2009, we received reduced room tax projections. They are now projecting the room tax will only generate \$14.4 million in the first year of the biennium and \$14.8 million in the second year. I indicated at a previous hearing the lower room tax projections generated a budgetary hole of about \$4.4 million. The latest revised projections would increase that budgetary hole to \$7.2 million.

E-125 Equitable, Stable Tax Structure – Page ECON DEV & TOURISM-29

The table at the top of page 30 in [Exhibit C](#) reflects what the General Fund impact is from the Governor's recommendation. There has been one line item added to this which is the appropriation for the film office. In the Governor's recommended budget for that office it appeared as room tax revenue going into that office, but the room tax revenue was all deposited into the General Fund. An amendment has been submitted by the Budget Office to correct the shortfall in the budget, using General Fund dollars.

At the Work Session, the consensus of the Subcommittee was not to approve the Governor's recommendation to transfer all of the room tax revenues to the State General Fund. In an effort to reduce the impact that decision would have on the General Fund during the upcoming biennium, an amount that would offset that budgetary shortfall would be transferred to the General Fund through a provision in the Authorizations Act. The amount transferred to the General Fund would depend on the level the Subcommittee restores of the budget reductions recommended by the Governor.

Does the Subcommittee wish to affirm its Work Session consensus not to approve the Governor's recommendation to transfer all of the room tax revenues to the State General Fund, but to include a transfer from the Commission on Tourism account to the General Fund to offset the revenue shortfall, in an amount to be determined during the discussion of the next issue?

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES NOT TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-125 OF B/A 225-1522 TO TRANSFER THE ROOM TAX REVENUES TO THE GENERAL FUND; AND TO TRANSFER A PORTION OF THE ROOM TAX REVENUES FROM THIS ACCOUNT TO THE STATE GENERAL FUND DURING THE 2009-2011 BIENNIUM TO OFFSET THE GENERAL FUND REVENUE SHORTFALL.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

MR. COMBS:

Based on Initiative Petition No.1, the counties with a population of 300,000 or more are required to impose up to an additional 3-percent room tax. Because of that, the Economic Forum, for the first time, will be required to forecast room tax revenues. Once those projections are made, it would be important for Staff to revisit this account and adjust the room tax revenues to be consistent with what the Economic Forum is projecting for an additional 3-percent rate.

The budget reductions the Commission was required to make during the current fiscal year have eliminated their balance forward ability from 2009 to 2010. They will probably have about \$30,000 that I built into the budget as balance forward revenue. That is not enough for cash flow purposes. I would

recommend including an authorization to get an advance from the General Fund for up to one month of expenditures.

In the process of closing the rest of the budget, I have recommended including a reserve level at the end of FY 2009-2010 of \$300,000 and a reserve level at the end of FY 2010-2011 of \$450,000. Although that is not as much as we would recommend if the room tax revenues were remaining in the account, it will help the Commission to rebuild and meet its cash flow needs in the future.

Decision unit E-610 recommends various staffing and operating reductions. A total of ten positions were recommended for elimination, including the executive director. The nine positions listed on pages 31 and 32 of [Exhibit C](#) are positions other than the director that were recommended for elimination. These are staffing reductions to meet the budgetary reduction targets. Two of the nine FTE positions are vacant. If no add backs are approved, there would be seven layoffs from this list of nine positions.

E-610 Staffing and Operating Reductions – Page ECON DEV & TOURISM-30

The operating reductions are provided on page 32 of [Exhibit C](#). The table indicates what those operating reductions are compared to the work program amount as of April 15, 2009. That has changed slightly but, for comparison purposes, you will see that outside postage, marketing and advertising and rural matching grants' funding are taking a significant hit. Outside postage is reduced to approximately \$219,000 in each year of the biennium, from a level of \$849,000 in the current fiscal year. Marketing and advertising and Rural Matching Grants expenditures were reduced by approximately one-half of the current FY 2008-2009 expenditure authority.

The Commission has submitted numerous scenarios for restoration of its staffing and operating reductions. The first submittal was in a request for materials to be provided to the Subcommittee for its Work Session. They provided 17 priorities for additional funding. The list totals approximately \$15.1 million over the biennium. During the Work Session, the Subcommittee considered the first five of those priorities, totaling about \$9 million over the biennium. The Subcommittee elected, based on the revenue concerns we are having this biennium, to direct the Commission to present options for its consideration today between \$3.6 million over the biennium and \$5.6 million over the biennium. Based on that direction, they submitted three scenarios.

Scenario No. 1 is for \$3.6 million. This scenario would restore funding for advertising buys and funding to fulfill requests for published materials about the State resulting from the restored advertising buys in the amount of about \$1.2 million in each year. The Commission indicates the additional funds would be used to increase the Internet and print ad-buys. A television campaign would cost about \$2 million per year. The funding would not be sufficient for that.

The partial restoration of funding transferred from this account to *Nevada Magazine* to support the costs of printing the *Nevada's Visitors' Guide* are also included in this request. The funding would enable them to update and print the *Nevada's Visitors' Guide* in the upcoming biennium for the Commission's fulfillment packages. It would also assist in ensuring the

magazine remains a viable enterprise. During the hearings we heard testimony about the drastic cuts the magazine was suffering. There was some concern about the quality of the magazine and this would help in providing them with some additional revenue.

Another part of Scenario No.1 is the restoration of a project analyst II position. This is the production artist that works on the materials that go into the fulfillment packages for the Agency. The addback would be about \$80,000 a year for this position.

The Commission has requested a partial restoration of its funding for its rural grants program; \$200,000 in each year of the biennium which would increase the overall grant authority to \$875,000 per year.

The Commission also included the restoration of a development specialist position and the IT systems administrator position eliminated in the *Executive Budget*. The add-back cost would be about \$88,000 in each year of the biennium. The Commission indicates that without the position they would likely incur a DoIT cost in excess of what is included in the Governor's recommended budget.

This scenario would partially restore funding transferred to the *Nevada Magazine* to support the costs of distributing the *Nevada Events and Shows* publication, one of the items they could not do any longer without increased funding for that purpose. The *Nevada Events and Shows* publication included in the *Nevada Magazine* is also located at airports for distribution.

Scenario No. 2 is for \$2.3 million in each year of the biennium for a total of \$4.6 million. This is the mid-range scenario. In addition to Scenario No. 1, this scenario would add an additional \$350,000 for advertising buys. The restored funds related to those buys would increase to \$1.5 million in each year of the biennium. The restoration of an additional \$150,000 would be included for the Rural Matching Grants Program. That would bring the Rural Matching Grants funding up to a total of approximately \$1 million per year.

Scenario No. 3 is for a \$5.6 million addition over the biennium. In addition to Scenarios 1 and 2, this scenario would add \$215,000 more in each year of the biennium for advertising buys, bringing the total to approximately \$1.7 million per year. It would also restore \$225,000 in each year for the Rural Matching Grants Program, bringing the total for that program to \$1.25 million per year. This scenario would restore \$60,000 in each year for the South Korea representative office which was eliminated in the Governor's recommended budget.

During the Work Session, the Subcommittee expressed concern the add-back priorities presented did not address the ability of the Commission to maximize its opportunities to obtain free media reports regarding Nevada. The Commission indicates it is not proposing significant add backs for the media department because the department was not as significantly impacted by the budget reductions as some of the other areas. Most of the activities that generate the free media opportunities can be continued with existing staff resources.

Does the Subcommittee wish to restore a portion of the staffing and operating reductions recommended by the Governor based on those three scenarios?

CHAIR HORSFORD:

We have approximately \$5 million over the biennium available to add back, based on our goal of keeping the addbacks at a reasonable amount. As we consider the options, we need to consider that reality. It seems that Scenario No. 2 is closest to that amount. I have concerns with that option because of the amounts going into the account for marketing and advertising. We need to decide which scenario, based on funding, we want to choose, and then whether we want to make any adjustments.

ASSEMBLYWOMAN MCCLAIN:

These three scenarios are over and above the restoration of positions.

MR. COMBS:

These three scenarios would all restore two of the nine positions recommended for elimination. Ten are being reduced, including the director as a result of the merger which is the next item in the closing document, [Exhibit C](#). That position is recommended to be restored based on the Subcommittee actions at the Work Session. Three out of ten would be restored. The other two that would be restored are the project analyst II position, who works as a production artist for the Commission, and the IT systems administrator position.

ASSEMBLYWOMAN MCCLAIN:

We are restoring the room tax but they are not going to be able to use all of the funds. We will revert part of the funds to General Funds.

CHAIR HORSFORD:

Based on the most recent projections, it is the most feasible. We should not allocate 100 percent of something that is declining.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF SCENARIO NO. 2, RESTORING A PORTION OF THE STAFFING AND OPERATING REDUCTIONS RECOMMENDED BY THE GOVERNOR IN B/A 225-1522; TO REDUCE THE TRANSFER TO THE GENERAL FUND IN B/A 225-1522 TO \$2,123,013 IN FY 2009-2010 AND \$2,131,238 IN FY 2010-2011 AS RECOMMENDED BY STAFF; AND TO ADD A RESERVE TOTALING \$300,000 AT THE END OF FY 2009-2010 AND \$450,000 AT THE END OF FY 2010-2011 TO THIS ACCOUNT AS RECOMMENDED BY STAFF.

ASSEMBLYMAN DENIS SECONDED THE MOTION.

CHAIR HORSFORD:

We will take a vote on this motion and then discuss the categories of funding within Scenario No. 2.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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CHAIR HORSFORD:

We need an explanation of how much is being restored under Scenario No. 2 for advertising and marketing.

MR. COMBS:

I have combined the actual advertising buys with the resulting publication to fill the requests that result from those advertising buys together. Scenario No. 2 would add about \$1.5 million in each fiscal year to the Governor's recommendation for marketing and advertising expenditures. The Governor recommended \$4.5 million in the first year and \$5.1 million in the second year of the biennium. This amounts to approximately \$6 million in FY 2009-2010 and approximately \$6.6 million in FY 2010-2011.

CHAIR HORSFORD:

Can you indicate the amount of funding provided for our current fiscal year?

MR. COMBS:

As of April 15, 2009, the work program amount for marketing and advertising for this fiscal year was \$9.1 million. The add back in Scenario No. 2 would increase marketing and advertising from \$4.5 million to \$6 million. In the second year, it would increase marketing and advertising of the biennium from \$5.1 million to approximately \$6.6 million.

CHAIR HORSFORD:

It seems counterproductive to reduce too much in the primary function, which is promotion through advertising and marketing, at a time when we need to promote our State. If you undermine your primary function, nothing else matters. I would like \$500,000 more added in each year of the biennium and ask Staff to work with the Commission to make the adjustments accordingly.

ASSEMBLYMAN CONKLIN:

That is an interesting point. Timing is everything. We want to market to people just before they have the money, right when they get the money, and right when they are in a position to think about travel.

Is \$500,000 a biennium a useful figure? Does it get things done? Will the results from the funds be impactful? Will it accomplish what we collectively would like to see?

CHAIR HORSFORD:

What would you propose to do with \$500,000 in each year of the biennium? How would that help meet our objectives in promoting the State?

STEVEN C. WOODBURY, MPA (Chief Deputy, Government Affairs and Administration, Nevada Commission on Tourism):

This will be a broad response to your questions. We will use whatever resources we are given to their highest and best use and they will have impact on bringing tourists to the State. We have hard figures showing the effectiveness of our programs. Our efforts have always been to have a balance of different programs and approaches that meet our objectives. Advertising and marketing are the core of what we do. We have a commitment to the rural parts of the State. Our grant program is important and essential to what we do. We market the entire State and promote the tourist opportunities and attractions in rural Nevada. We work with the media to generate stories about Nevada in international and domestic markets. The addition of \$500,000 in advertising and marketing will increase awareness of the State. We will have more requests from consumers for fulfillment of travel information on Nevada. Anytime we increase advertising and marketing, there will be increased demand for travel information on Nevada. If the Subcommittee wants to know specifically how many people will be influenced and how many more requests for information on Nevada, I can have our deputy director in charge of marketing come and talk about that. Every dollar we spend on advertising will result in more people being made aware of Nevada. They will go to the Website or request information that will influence them to come to Nevada.

ASSEMBLYMAN CONKLIN:

It is important to know that every dollar spent is going to yield something for us. Is there any validity in allowing that money to be approved over the biennium instead of directing how much can be expended yearly? Does the Commission have the flexibility to spend it when they think it is necessary?

MR. WOODBURY:

We have campaigns at different times of the year. I appreciate your mention of flexibility because it is critical. Because of the economic conditions we are facing, we are adjusting our strategy. We are going to take over an entire Bay Area Rapid Transit (BART) station in the Bay Area. It will be covered with Nevada posters and other promotional activities. We search for feeder markets that would have the biggest impact with the resources we have. We are continually analyzing our strategy, fine-tuning it and changing to meet the current needs in the marketplace.

JOLYN LANEY (Deputy Director, Marketing and Advertising, Nevada Commission on Tourism):

It would be great if we had the flexibility to use the money as we see fit. It is important in a down economy to keep in front of people. Our competitors have heard that we may lose funding, and they are saying that Nevada is hurting. They are trying to take our market share. Right now is the most important time for us to be out there. We changed our strategy recently. We used to simply use brand awareness as a destination. Within the last two months we launched a retail campaign. We went out to all our partners within the State and had incredible response from the hotels in Las Vegas to the little places in Baker that have put together unique packages to sell. As mentioned, we are going to be taking over an entire BART station. Everywhere you look, you will see Nevada. We will be offering exclusive packages for a limited time. We are probably going to Seattle and will take over the ferry system there. We are going to have a

street team. We will have handouts and giveaways that will create excitement about Nevada. We will back up all of these things with online advertising. Every time someone orders our *Visitors Guide*, we do a follow-up. When we ask them if it impacted them to visit Nevada, 35 percent of the people say "yes, your information impacted me to visit Nevada." We recently did a Web usability study. We had a survey on our Website and followed up with questions, and 81 percent of the people surveyed said they found our Website useful and they had visited Nevada because of it. For every dollar given to us last year, we generated and gave back \$20 in tax revenue for the State of Nevada.

CHAIR HORSFORD:

What could we save by reducing or closing the Korean office and putting that into marketing?

MR. WOODBURY:

The Korean office would be a \$60,000 add back in the third scenario. The China office could be reduced. There are some things we have been able to accomplish in China, as a State entity, that others would not be able to accomplish. We were the first state to get a license to advertise in China. It is a huge potential market and we need some presence there. China just had the first leisure, organized travel trip to the State of Nevada. We hope that is the start of many more of those trips. They were unable to travel as leisure travelers until last fall. They can do that now. We have been involved with them from the beginning, trying to make it easier for Chinese citizens to get visas. We have had meetings with the Department of Commerce, our federal partners, trying to ease the restrictions on visas. This is medium- to long-term planning, but we need to have some presence. We have made reductions already in this proposal, but could consider reducing it further.

CHAIR HORSFORD:

What is the minimal amount needed for you to keep it going? We are scaling back, but our primary marketing audience is not in China right now. The international market is not where it will be for the next two years. I understand we need to maintain some presence, but when we are trying to keep the rooms in Nevada full, we need to do it through the strategies you were speaking of, more of which are regional and national. Can we discuss the China office specifically? How much does it cost and what can we do to reduce it to in order to put that money in marketing?

MR. WOODBURY:

We are at \$252,000 in the first year and \$288,000 in the second year. We could allocate a \$100,000 contract each year which would generate from \$200,000 to \$300,000 in savings which could be focused on the domestic markets.

The \$60,000 for the other international offices are representative offices characterizing multiple entities. China is different because we are the only destination they promote. I think we could work with \$100,000. They would need to cut some of their staff and some of the functions, but it would still maintain a presence and allow us to generate some savings.

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CHAIR HORSFORD:

What about the \$152,000 and the \$188,000? Do you have substantiated costs giving me that number? Are those your hard costs?

MR. WOODBURY:

We have a contract with a representative in China. We have their budget. When we come up with a dollar figure we would go back and negotiate with the contractor. We would work with him in revising the scope of work. We will negotiate with the contractor with any figure on which the Subcommittee decides.

CHAIR HORSFORD:

Can we cut it in half?

MR. WOODBURY:

Yes. We will make it work.

CHAIR HORSFORD:

If we do that and put it into marketing, that would result in \$125,000 in the first year and \$144,000 in the second year, totaling about \$260,000. What we are trying to do is find other areas to cover the \$500,000.

At a minimum, we are going to cut the budget for the China office in half and redirect that to marketing. What else can we do?

MR. WOODBURY:

The bulk of our funds go to advertising and marketing. The only other large area is the grant program. I am not going to be the one cutting the Rural Matching Grant program. In many cases these rural communities' sole funding to promote their tourist attractions comes from the Commission on Tourism. It has already had a large reduction.

ASSEMBLYMAN HOGAN:

The general consensus is that the recovery from the current economic situation internationally seems to be led by the United States. The laggards are expected to be the Asian economies. If your information from the Department of Commerce verifies that, it may be that one other place to consider would be Korea and any market expected to be slow in restoring its economy. The forecast for those economies might indicate there would be less ability to travel here for a period of time. I believe we still have regular flight service from Korean Air which is an advantage if the people are able to take advantage of that. We are on the right track. Foreign markets may be the place for consideration.

MR. WOODBURY:

We need flexibility in our international markets. Flights in Brazil are up 24 percent. That is why we have a diversified portfolio. There are some areas in the world where conditions are better so people are more likely to travel. We are taking advantage of that. In South Korea we have direct flights. They just became a visa waiver country. People can now come visit without a visa. We received a booklet from the Korea office which included all of Nevada's media coverage. It was amazing. All through Korea we had media coverage on

Nevada. We brought in a group of Korean travel writers to provide that coverage. Conditions are good for Koreans to visit right now and we have the opportunity to take advantage of that. We need that flexibility.

CHAIR HORSFORD:

I suggest we take a motion on the option to reduce the China office budget by one-half and direct the funding to marketing and advertising. Is it possible that if room taxes exceed what we are allocating they could come to the IFC to increase their budget for marketing?

MR. COMBS:

At the Work Session, the Subcommittee wanted the transfer from this account to the General Fund to be put into the Authorizations Act. To do that, we would have to put a dollar amount in the Act which will be based on the current room tax projections. Anything above those room tax projections would go into the Agency's reserve. They would have the authority to move those funds out of reserve for expenditures.

CHAIR HORSFORD:

If some of the objectives are achieved, and the room taxes are back up to a level where they are increasing again, the Agency could come to the IFC at that time. I will accept a motion on the reduction to the China office, as well as the understanding Staff just gave to be able to come before the IFC if room tax revenues exceed the amount that is budgeted.

ASSEMBLYWOMAN KOIVISTO MOVED TO RECOMMEND TO THE FULL COMMITTEES TO REDUCE GENERAL FUNDS IN B/A 225-1522 FOR THE CHINA OFFICE BY ONE-HALF OF THE BUDGET AMOUNT; TO DIRECT THE FUNDING TO ADVERTISING AND MARKETING; AND TO AUTHORIZE THE COMMISSION TO COME BEFORE THE IFC TO INCREASE ADVERTISING AND MARKETING EXPENDITURES FURTHER, IF ROOM TAX REVENUES EXCEED THE AMOUNT BUDGETED.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. COMBS:

The next item is the merger of the Commission on Tourism with the Commission on Economic Development, as shown in decision unit E-620. During the hearings, the Agency's testimony indicated there were very few synergies and efficiencies that would result from merging the two agencies. The Subcommittee did not wish to merge the two agencies. There were increased expenditures in the account, totaling about \$115,000 in the first year of the biennium and approximately \$186,000 in the second year of the biennium if the two commissions are not merged. I have added back those funds in the closing document, [Exhibit C](#). The issue for the Subcommittee is whether or not to affirm the decision reached at the Work Session.

E-620 Staffing and Operating Reductions – Page ECON DEV & TOURISM-31

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES NOT TO APPROVE THE GOVERNOR'S RECOMMENDATION TO MERGE THE COMMISSION ON TOURISM WITH THE COMMISSION ON ECONOMIC DEVELOPMENT, OUTLINED IN DECISION UNIT E-620 OF B/A 225-1522.

SENATOR RHOADS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. COMBS:

Decision unit E-126 was in the Governor's recommended budget to eliminate the transfer of room tax revenues from this account to other State agencies. That was the result of the decision to fund the Commission on Tourism with General Funds instead of room tax revenues. On the top of page 37 in [Exhibit C](#), three agencies are shown that now would be receiving General Funds that formerly received room tax revenues as recommended by the Governor. That is the Nevada Film Office, the Cultural Affairs-Railroad Museums and the Division of State Parks. Although there is no benefit to the General Fund, I am recommending the Subcommittee replace the General Funds in those agencies with room tax revenues. The reason this will not have a net affect on the General Fund is because the Subcommittee's previous decision was to take whatever funding was left over in this account after it proved expenditure levels and to transfer that to the General Fund. The transfer to these other agencies would come out of that excess funding that would have gone to the General Fund and will be used to offset General Funds in those other agency accounts. That would be Staff's recommendation.

E-126 Equitable, Stable Tax Structure – Page ECON DEV & TOURISM-30

ASSEMBLYWOMAN KOIVISTO MOVED TO RECOMMEND TO THE FULL COMMITTEES TO FOLLOW STAFF'S RECOMMENDATION TO REPLACE THE GENERAL FUNDS IN THE NEVADA FILM OFFICE, CULTURAL AFFAIRS-RAILROAD MUSEUMS AND DIVISION OF STATE PARKS BY RESTORING THE ROOM TAX REVENUE TRANSFERS TO THESE AGENCIES THROUGH B/A 225-1522 AND NOT TO DISCONTINUE THAT PRACTICE AS THE GOVERNOR RECOMMENDED.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. COMBS:

Decision unit E-710 recommends \$36,564 in the FY 2009-2010 and \$25,255 in FY 2010-2011 for the replacement of computer hardware and software. We reviewed the age of the personal computers recommended for replacement and the number of positions that are recommended for elimination in the account. Staff recommends reducing the number of personal computers in FY 2009-2010 from 14 to 11.

E-710 Replacement Equipment – Page ECON DEV & TOURISM-33

Decision unit E-900 is the transfer of two positions, an art director and a project analyst position, from the *Nevada Magazine* account to this account. The Agency indicates the positions have been funded through a transfer from this account to the magazine account since FY 2003-2004. The transfers appear reasonable to Staff.

E-900 Transfer from NV Magazine to Tourism Devel Fund – Page ECON DEV & TOURISM-34

The Governor's recommended budget included \$106,151 in each year of the biennium in registration fee revenue. Of this amount, \$96,451 was attributable to fees received for the Governor's Tourism Conference which was eliminated as a result of the budget reduction. Staff has reduced the registration fee revenue to \$9,700 in each fiscal year of the biennium. I have added the \$30,000 balance forward from FY 2008-2009 to FY 2009-2010, discussed earlier. The transfer from this account to the Washington D.C. office has been reduced by \$8,211 in each year of the biennium to match the revenue anticipated to be received in that account.

ASSEMBLYMAN CONKLIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO FOLLOW STAFF'S RECOMMENDATION TO REDUCE THE NUMBER OF PERSONAL COMPUTERS REPLACED FROM 14 TO 11 IN DECISION UNIT E-710 OF B/A 225-1522; TO TRANSFER TWO POSITIONS RECOMMENDED BY THE GOVERNOR FROM THE *NEVADA MAGAZINE* ACCOUNT TO THIS ACCOUNT, AS OUTLINED IN DECISION UNIT E-900; AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS IN REGISTRATION FEE REVENUES, BUDGET RESERVES AND THE TRANSFER FROM THIS ACCOUNT TO THE NEVADA OFFICE IN WASHINGTON D.C.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. COMBS:

The next account is the *Nevada Magazine*, B/A 530-1530.

Tourism - Nevada Magazine – Budget Page ECON DEV & TOURISM-37
(Volume II)
Budget Account 530-1530

Under major closing issues are decision units E-606 and E-607, the staffing and operating reductions for the magazine. The Governor recommended reducing the positions for this account by a total of 2.78 FTEs. There are 2.68 FTE positions that are eliminated and a full-time advertising sales representative position recommended to be reduced from full time to 0.90 FTE.

E-606 Staffing and Operating Reductions – Page ECON DEV & TOURISM-39

E-607 Staffing and Operating Reductions – Page ECON DEV & TOURISM-39

The positions recommended for elimination are the associate editor, the marketing promotion manager, a part-time production assistant and a part-time marketing promotion manager.

The Commission requested reduction of the full-time advertising sales representative position at a time when the incumbent in the position wished to work fewer than 40 hours a week. The Commission now indicates the position should be restored. They are concerned that any reduction in the position would limit the ability to generate sales and advertising revenue. Staff is recommending the restoration of that advertising sales representative. The cost to restore the position to full time totals \$13,504 in FY 2009-2010 and \$14,067 in FY 2010-2011.

The operating reductions in the budget are \$406,598 in each year of the biennium which is the result of the tourism account being unable to purchase magazine subscriptions for its fulfillment packages, based on the budget reductions in that account. The result was reduction in revenue and operating costs for printing a large number of magazines. Part of Scenario No. 2, which the Subcommittee approved in the tourism account, was to add \$193,166 in each year of the biennium for the cost of distributing the *Events and Shows* publication. It also would add \$75,000 in each year of the biennium to offset the cost of updating and printing the *Nevada Visitors Guide*. These revenues would help support possible additional restorations for the account. The Commission requested the restoration of a part-time production assistant, currently funded at 0.70 FTE. The Agency would like to restore that position and increase it to full time. The position currently assists with the design and layout of the magazine, *Events and Shows* and the *Nevada Travel Planner* publication. The position would be able to resume those activities if restored and would also help maintain the *Events and Shows* Website listing. That is a function performed by the associate editor position which is recommended for elimination in the Governor's recommended budget. The staffing reductions recommended by the Governor appear to place a significant amount of additional workload on the remaining positions in the account. It could possibly impact the quality of the magazine.

Increasing the part-time production assistant to full time appears reasonable. Since the Subcommittee approved Scenario No. 2 in the Tourism account,

funding is available. Does the Subcommittee wish to restore the production assistant position and increase it to full time?

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO FOLLOW STAFF'S RECOMMENDATION TO RESTORE TO FULL TIME THE ADVERTISING SALES REPRESENTATIVE POSITION AND TO INCREASE THE PART-TIME PRODUCTION ASSISTANT POSITION TO FULL TIME, REDUCING THE STAFFING FOR THE *NEVADA MAGAZINE* BY 1.68 FTE POSITIONS AS COMPARED TO THE 2.78 FTE REDUCTION RECOMMENDED BY THE GOVERNOR IN DECISION UNITS E-606 AND E-607 OF B/A 530-1530.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. COMBS:

The Commission indicated it would like to increase its expenditures for using freelance photographers and writers. The funding was eliminated in the Governor's recommended budget. They are asking for \$10,000 in each year of the biennium for each of those functions, totaling \$20,000. They are also requesting increased printing and postage expenditures for the *Visitors Guide* which would total \$72,100 in each year of the biennium. The total operating costs would be \$92,100 in each year of the 2009-2011 biennium. These restorations appear reasonable, based on the Subcommittee's decision in the Tourism development account.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF STAFF'S RECOMMENDATION TO INCREASE THE FUNDING IN B/A 530-1530 FOR FREELANCE PHOTOGRAPHERS AND WRITERS TO \$20,000 IN EACH YEAR OF THE 2009-2011 BIENNIUM; AND TO INCREASE FUNDING FOR EXPENDITURES FOR THE *NEVADA VISITORS GUIDE* TO \$72,100 IN EACH YEAR OF THE 2009-2011 BIENNIUM.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. COMBS:

Decision unit E-710 recommends funding of \$5,311 in FY 2009-2010 and \$23,485 in FY 2010-2011 for replacement of computer hardware and software. Based on the staffing reductions, two of the replacement iMACs can be eliminated in the second year of the biennium.

E-710 Replacement Equipment – Page ECON DEV & TOURISM-41

Decision unit E-900 is the corresponding decision unit we previously discussed, transferring two positions to the Tourism Development account.

E-900 Transfer from NV Magazine to Tourism Devel Fund – Page ECON DEV & TOURISM-42

The balance forward from FY 2008-2009 to FY 2000-2010 has been reduced by approximately one-half. This account receives revenues early in the fiscal year and the Commission indicates the reduction will not produce a cash flow problem at the beginning of FY 2009-2010. The increased revenues transferred to this account from the Tourism Development account in each year of the upcoming biennium will offset the reduction in the balance forward revenue from FY 2008-2009.

The transfer of funding from the Tourism Development Fund account to this account has been increased from \$68,241 to \$69,000 in each year of the biennium to ensure the transfer from that account matches the transfer to this account.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF THE GOVERNOR'S RECOMMENDATION OF REPLACEMENT OF COMPUTER HARDWARE AND SOFTWARE IN DECISION UNIT E-710 OF B/A 530-1530 WITH STAFF'S RECOMMENDATION OF ELIMINATING THE EXPENDITURES FOR THE REPLACEMENT OF TWO IMAC COMPUTERS IN FY 2010-2011; TO TRANSFER AN ART DIRECTOR AND A PROJECT ANALYST FROM B/A 530-1530 TO B/A 225-1522 AS OUTLINED IN DECISION UNIT E-900; AND TO APPROVE THE TECHNICAL ADJUSTMENTS RECOMMENDED BY STAFF.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. COMBS:

The next budget account is Tourism Development, B/A 225-1523.

Tourism - Tourism Development – Budget Page ECON DEV & TOURISM-44
(Volume II)

Budget Account 225-1523

This has a similar name to the Tourism Development Fund account that we discussed earlier. This is an interest-bearing account used to account for funds used by the Commission to administer its Tourism Development Matching Grants program. This program provides grants to local governments and regional organizations promoting travel and tourism. The funds are used

primarily for bricks-and-mortar type projects. The elimination of the funds transferred from the Tourism Development Fund account is the major closing issue. The statute provides that up to \$200,000 in each biennium may be transferred from the Commission's main account to this account. That transfer is not recommended in the upcoming biennium due to the limited amount of funds available in that account.

The revenue from interest earnings has been decreased based on the reduced balance projected in the account for the biennium and a comparison of interest earnings accumulated so far during this fiscal year.

The balance forward from FY 2008-2009 to FY 2009-2010 has been reduced from \$134,138 to \$26,393 based on the Commission's latest projections of funds remaining at the end of FY 2008-2009.

Gifts and donations revenue has been decreased by \$920 in each fiscal year based on the projection of that revenue source. The expenditures are reduced to match the available revenues in the account.

ASSEMBLYMAN GOICOECHEA MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION NOT TO TRANSFER FUNDS FROM THE TOURISM DEVELOPMENT FUNDS ACCOUNT INTO B/A 225-1523, AND STAFF'S RECOMMENDED TECHNICAL ADJUSTMENTS.

SENATOR HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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STEVEN J. ABBA (Principal Deputy Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The next account is the Commission on Economic Development, B/A 101-1526.

Economic Development - Commission on Economic Dev – Budget Page ECON
DEV & TOURISM-1 (Volume II)
Budget Account 101-1526

The major issues are found on page 45 of [Exhibit C](#). The first issue, in decision unit E-620, was dealt with when the Subcommittee uncoupled the merger in approving some of the issues in the Commission on Tourism's budget. In this budget, with the uncoupling, we will be adding back a .50 FTE position and taking out a number of one-time costs which include Web-design costs and brochures. Staff requests the Subcommittee's indulgence in the approval of some technical adjustments dealing with rent. We will add back the rent costs that are associated with the merger, but there are other issues with rent unrelated to the merger. There is also a lease ready to expire. Staff requests permission to continue to work with the Agency and make necessary rent adjustments in this budget, as well as other budgets that will follow.

E-620 Staffing and Operating Reductions – Page ECON DEV & TOURISM-4

The second issue in decision unit E-610 is the proposal by the Governor, unrelated to the merger, to eliminate the deputy director position for a General Fund savings of approximately \$113,000 in each fiscal year of the biennium. The Agency requested the reestablishment of this position as their number one priority. This position is the southern Nevada manager for the Commission, responsible for managing the primary program, the film division, procurement outreach and the rural development program in that area.

E-610 Staffing and Operating Reductions – Page ECON DEV & TOURISM-3

In the Work Session, the Subcommittee gave Staff the direction they wished to restore this position, but requested additional information about what this position does, and another position that is recommended for elimination in a subsequent decision unit. That position is a chief protocol officer. If the chief protocol officer position is eliminated, the Subcommittee wonders what duties of that position could be off-loaded to the deputy director position.

On page 46, in [Exhibit C](#), I have provided information based on information I received from the Agency on the major duties and responsibilities of the deputy director position. It appears the only responsibilities that could be off-loaded to the deputy director position if the protocol officer position is eliminated are duties involving hosting international activities. This position is very busy and is involved in significant business development activities. Staff recommends the position be restored. Does the Subcommittee wish to affirm the Work Session decision whether to restore the position?

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO RESTORE THE DEPUTY DIRECTOR POSITION RECOMMENDED BY THE GOVERNOR FOR ELIMINATION IN DECISION UNIT E-610 OF B/A 101-1526.

ASSEMBLYWOMAN KOIVISTO SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. ABBA:

The third issue is found on page 47 of [Exhibit C](#). The *Executive Budget* recommends the elimination of three additional positions. Those positions are two grants and project analysts and one administrative assistant which is the office manager in Las Vegas. In the Work Session, the Subcommittee was primarily concerned about the elimination of the first grants and project analyst position in Las Vegas which is the protocol officer position. The information received from the Commission on the other two positions indicated their duties could be redistributed to the remaining staff without significant problems. If the protocol officer is eliminated, the Commission requested that they be granted \$50,000 for a contract with the incumbent to work with the remaining staff to

transition the experience and knowledge that individual has for the protocol activities. The Subcommittee was concerned with the issue of a contract. There is no guarantee that the incumbent would actually contract back. It appeared there was effort on behalf of the Commission to attract international business. This position works with consuls and other dignitaries interested in investing in Nevada, as well as Nevada businesses wishing to export to foreign countries. The concern was with how the transition of experience and knowledge would be accomplished, and where it would be transitioned. The Commission indicated they would off-load the responsibilities of the protocol officer to three positions, two of which are in the north. The one in the south is the deputy director. I indicated the only duties that position could perform are hosting duties. Staff feels they could probably transition the responsibilities but there are concerns. For instance, 80 percent of this protocol officer's function is involved in protocol activities. The other 20 percent is working with inner-city development authorities and ethnic chambers of commerce. That position is located in Las Vegas. The two positions the functions would be off-loaded to are located in Carson City.

The issue of destination causes a problem, plus it is a full-time position with a lot of personal time involved in working with consuls and foreign dignitaries. Staff does not believe the contract situation would work very well. The other issue is the salary cost for the protocol officer who is paid \$68,000. The contract would be for \$50,000. Staff worked with the Agency and identified some savings in the Train Employees Now (TEN) program that would offset 90 percent of the costs of this position. It is Staff's recommendation to restore this position and use the savings from the TEN program to offset the salary cost.

ASSEMBLYWOMAN KOIVISTO MOVED TO RECOMMEND TO THE FULL COMMITTEES TO RESTORE THE CHIEF OF PROTOCOL/GLOBAL TRADE REPRESENTATIVE POSITION IN DECISION UNIT E-610 OF B/A 101-1526 AND TO USE THE SAVINGS FROM THE TEN PROGRAM TO OFFSET THE ANNUAL COST OF APPROXIMATELY \$68,000 IN EACH FISCAL YEAR.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:

The remaining issue is the elimination of the two other positions. Staff revisited that issue with the Agency. It appears their plan for redistributing the duties and responsibilities is plausible, and Staff recommends those positions be eliminated.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF STAFF'S RECOMMENDATION TO ELIMINATE THE TWO REMAINING POSITIONS, OUTLINED IN DECISION UNIT E-610 OF B/A 101-1526.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:

The fourth major issue in decision units E-660, E-664 and E-665 concerns the Governor's recommendation to fund the Inner-city, Rural and Urban Development Authorities. The Governor recommends a reduction of \$653,000 over the biennium compared to what was approved by the 74th Legislative Session. The Governor recommends \$2,842,000 over the biennium for the funding.

E-660 Program Reductions/Reductions to Services – Page ECON DEV & TOURISM-4

E-664 Program Reductions/Reductions to Services – Page ECON DEV & TOURISM-6

E-665 Program Reductions/Reductions to Services – Page ECON DEV & TOURISM-6

The table on the top of page 49 of [Exhibit C](#) shows the amounts that were legislatively approved by the 74th Legislative Session, listed by development authority; the amounts recommended by the Governor; the differences and the percentage differences based on those reductions; and what the FY 2008-2009 levels are based on the budget reductions that have been enacted. The Governor's recommendation provides for an increase when compared to the budget reductions. The concern in the Work Session is the Rural Development Authorities are taking a more significant reduction than the other authorities. The consensus of the Subcommittee was to utilize \$100,000 from the two urban development authorities, which are the Nevada Development Authority (NDA) and the Economic Development Authority of Western Nevada (EDAWN), on a proportional basis and to reallocate the \$100,000 to the Rural Development Authorities to make the reduction more proportional and comparable to the reductions for all development authorities. If that is the option taken, the reduction to the two urban authorities would amount to \$61,100 for the NDA and \$38,900 for the EDAWN. This would provide the Rural Development Authorities an additional \$100,000 they could use for supplemental granting purposes. It would provide them \$200,000 and raise their level of funding to \$795,000 in each fiscal year, \$595,000 of which strictly supports their operating costs. The remainder of \$200,000, if the reapportionment is approved, is issued in the form of supplemental grants which requires applications, a match from the Rural Development Authorities and goes through a significant vetting process. Staff recommends the reallocation of that \$100,000 be approved as was the consensus at the Work Session.

SENATOR RHOADS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO FOLLOW STAFF'S RECOMMENDATION TO ALLOCATE

FUNDING FOR URBAN, RURAL AND INNER-CITY DEVELOPMENT
AUTHORITIES IN DECISION UNITS E-660, E-664 AND E-665 OF
B/A 101-1526 AND TO REALLOCATE \$100,000 TO THE RURAL
DEVELOPMENT AUTHORITIES FOR SUPPLEMENTAL GRANTS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLYWOMAN MCCLAIN:

A.B. 338, which passed in both houses, uses other funding to help seniors and veterans with start-up businesses. There are other options.

ASSEMBLY BILL 338: Authorizes a program to provide grants to nonprofit private entities concerning small business start-ups for veterans and senior citizens. (BDR 53-123)

CHAIR DENIS:

If there is no further discussion, we will vote on the motion.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:

The Committee has been provided a Rural Development Authority document ([Exhibit D](#), original is on file in the Research Library). It provides a fair amount of information on what is proposed for the upcoming biennium as far as initiatives in the rural areas; how they plan to spend their money; and the sectors they are targeting for spending money.

The fifth issue in this budget account is the TEN program in decision unit E-663.

E-663 Program Reductions/Reductions to Services – Page ECON DEV &
TOURISM-5

The Commission administers the TEN program to provide workforce opportunities with businesses. Businesses must have a match for this. The Commission works with the community colleges on this effort. Historically, there has been a \$500,000 appropriation provided in each fiscal year to administer this program. The Governor recommends a reduction of \$200,000. The Governor's recommended budget is \$300,000 in General Fund allocations per year. As discussed at the Work Session, the Commission and the ESD have entered into an agreement to use ESD funding in the amount of approximately \$500,000 per year to mirror the TEN program. That would significantly increase the availability of funds for the TEN program when you consider what the Governor has recommended, plus this new source of funding. At the direction of the Subcommittee and working with the Commission, Staff is recommending reductions in this category of \$175,000 in General Funds each year. That reduction would be reallocated to cover the cost of the deputy director position and the protocol officer position and the Commission is in agreement with that

proposal. It provides the TEN program additional funding of \$625,000 in each fiscal year.

ASSEMBLYWOMAN MCCLAIN:
How much is in that ESD fund?

MR. ABBA:
The agreement is to transfer up to \$250,000 with each allocation, up to \$500,000. That is the internal agreement between the two Agencies. As far as what is available it is in the millions, but I do not have that number today. There are sufficient funds to do this, however.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO AFFIRM ITS CONSENSUS FROM THE WORK SESSION TO REDUCE THE TEN PROGRAM BY \$175,000 IN GENERAL FUNDS IN EACH FISCAL YEAR OF THE 2009-2011 BIENNIUM, BASED ON THE AVAILABILITY OF ADDITIONAL FUNDING FROM THE ESD, AND TO REALLOCATE THOSE GENERAL FUNDS TO OFFSET COSTS IN OTHER AREAS OF B/A 101-1526.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:
The last major issue in this budget account deals with advertising and marketing. The Governor's recommendation on this issue is to reduce the Commission's advertising and marketing budget by over 50 percent to \$243,082 in FY 2009-2010 and \$222,006 in FY 2010-2011. The Agency's priority was a request to consider adding additional funding to this budget for advertising and marketing. The Subcommittee did not come to a consensus on this issue in the Work Session, requesting Staff to return and work with the Agency to determine what could be done. Staff worked with the Agency and suggested some scenarios. Those scenarios are shown on page 51 of [Exhibit C](#) and are the suggestions of what they would do with additional funding in the amount of \$100,000 per year or \$200,000 per year.

At the Subcommittee's request, Staff and the Agency came up with the following scenarios:

The first scenario is what the Agency could do with the funds the Governor recommended. The funds would maintain their Website; the public relation campaign for renewable energy attraction; communications outreach; and two trade shows.

The second scenario would add \$100,000 in each fiscal year which would increase the marketing budget to approximately \$343,000. The Agency could

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fund three additional trade shows and one six-month campaign targeting specific companies.

The third scenario would add \$200,000 in each fiscal year enabling the Agency to do two six-month campaigns, one of which would be on the east coast, and additional trade shows.

Those would all be in addition to what the Governor has recommended. The decision for the Subcommittee is to either approve what the Governor recommended or some other scenario which provides additional funding for marketing and advertising.

CHAIR HORSFORD:

How many leads and direct commitments from businesses do we get from these trade shows?

MICHAEL E. SKAGGS (Executive Director, Nevada Commission on Economic Development):

At the last two shows we had in Las Vegas, we picked up 70 leads at the first show and 121 at the next. Both were renewable energy shows. That result is higher than we sometimes experience. When we use the term "lead" there is a given timeline for the project in a budget. It is not just an inquiry.

CHAIR HORSFORD:

How many of the leads actually enter into serious discussions about relocating?

MR. SKAGGS:

Right now we have 30 percent of prospective businesses visiting the State. We have not closed any of the leads yet. Our close rate has been around 20 percent. Right now, with the credit crisis, our close rate is closer to 10 percent.

CHAIR HORSFORD:

Is there a different strategy that is more targeted to individual businesses?

MR. SKAGGS:

Yes, there is. The trade shows enable us to pick up a high number of leads. We have six-month campaigns. They are driven by industry intelligence gathering. We have one under way in California right now because there has been a lot of press given to it. We use preindicators of someone needing to acquire more production space; high rises and sales not yet adding employment; and real estate licenses expiring. That is the most efficient way. The first 50 letters out of a 600-letter campaign came in on Tuesday of this week. We will conduct telephone follow-ups next week and we will tell the members of the Subcommittee the reaction we get from this campaign.

CHAIR HORSFORD:

Since we have a budget crunch right now, it does not seem as useful to do some of these things. I would support other strategies that provide funding or resources. You said you have a 10-percent success rate. What is the size of those businesses? What is their rate of return or investment in the State, and how many employees do they have? You study these things and ask yourself if

you can spend these funds elsewhere right now. There are other essential things we have to prioritize.

ASSEMBLYWOMAN MCCLAIN:

We should focus on renewable energy type of businesses. That would make more sense. It might give us more for the funds expended.

CHAIR HORSFORD:

The problem with renewable energy is that it needs to be coordinated, based on whatever the State's strategy is, but we ultimately decide. We cannot tell them to come to Nevada just because they are in the renewable energy business. We are looking at developing this industry in a particular way. We want these businesses to invest and understand our workforce needs; to understand our linkages with higher education; and to have a long-term investment in our State. Even that is problematic because it needs to be coordinated with our State strategy. Until that strategy is determined, and the infrastructure is put in place, we would not be coordinating efforts as effectively as we should in this economy where we have limited resources.

MR. SKAGGS:

We are working with our clients to introduce them to organizations like the Department of Employment, Training and Rehabilitation (DETR) and the Department of Energy to make sure they have what they need. What do our clients need in skill sets, training, etc.? We then can get that information for the DETR and allied organizations. I speak to those agencies at least once a day trying to keep us all on the same page. This takes a lot of coordination. There is quite a bit of interagency cooperation, and some of that has been caused by this legislation.

CHAIR HORSFORD:

Is there further discussion or suggestions on a motion?

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO INCREASE FUNDING FOR MARKETING AND ADVERTISING BY \$100,000 IN EACH FISCAL YEAR OF THE 2009-2011 BIENNIUM IN ADDITION TO THE GOVERNOR'S RECOMMENDED FUNDING IN DECISION UNITS E-665 AND E-666 OF B/A 101-1526.

SENATOR WOODHOUSE SECONDED THE MOTION.

MR. ABBA:

This is an addback of \$100,000 in each fiscal year. The total basically is a wash because the Subcommittee has reduced the TEN program by \$175,000 in each year of the biennium to cover the cost of restoring the two positions. We could reduce the TEN program by another \$25,000 for a General Fund allocation of \$100,000 per year. That would reduce the addition of \$100,000 to \$75,000 for marketing and advertising for a smaller add back. It would then be \$150,000 in each year of the biennium for a General Fund addback versus \$200,000 in each year. The TEN program would have a \$100,000 allocation in General Funds and \$500,000 available from ESD for a total of \$600,000 instead of \$625,000. I would suggest that as a possibility to reduce the impact.

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The total addback because of the reductions in the TEN program to restore those two positions is a wash. The only add-back costs are uncoupling the merger which has already been considered in a larger picture of add backs to the Commission on Economic Development and Tourism. There will not be a net savings.

CHAIR HORSFORD:
We need to change the motion.

MR. ABBA:
I think the motion would be to increase marketing and advertising by \$100,000 in each fiscal year for a total funding of \$343,082. Of that, \$25,000 would be a reduction from the TEN program.

CHAIR HORSFORD:
We will amend the motion to reflect the change. Is that acceptable to you, Ms. Woodhouse, since you seconded the first motion?

SENATOR WOODHOUSE:
Yes, it is acceptable. I will second the amended motion.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO INCREASE FUNDING FOR MARKETING AND ADVERTISING BY \$100,000 IN EACH FISCAL YEAR OF THE 2009-2011 BIENNIUM IN ADDITION TO THE GOVERNOR'S RECOMMENDED FUNDING IN DECISION UNITS E-665 AND E-666 OF B/A 101-1526; AND TO REDUCE THE TEN PROGRAM BY AN ADDITIONAL \$25,000.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. ABBA:
Decision unit E-710 provides equipment replacement for the Agency. The largest item is \$30,000 in the first year of the biennium for the Agency's telephone system.

E-710 Replacement Equipment – Page ECON DEV & TOURISM-8

Staff has revised the transfer to the Washington office that comes out of the Commission's budget. It aligns the transfer from the Commission on Economic Development to the transfer in the Washington office budget.

Staff requests the authority to work with the Agency on resolving the rent issues.

ASSEMBLYWOMAN KOIVISTO MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-710 OF B/A 101-1526; TO AUTHORIZE STAFF TO WORK WITH THE COMMISSION ON ECONOMIC DEVELOPMENT TO CORRECT ERRORS IN THE AMOUNT OF LEASED BUILDING SPACE INCLUDED IN THIS BUDGET; TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS TO SALARY AND FRINGE BENEFITS; AND TO MAKE TECHNICAL ADJUSTMENTS FOR FINAL ASSESSMENTS AND ALLOCATIONS.

SENATOR HARDY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:

The next budget account is the Nevada Film Office, B/A 101-1527.

Economic Development - Nevada Film Office – Budget Page ECON DEV & TOURISM-10 (Volume II)
Budget Account 101-1527

There was an error in funding in the *Executive Budget*. The Governor recommended taking the room tax money from the Commission on Tourism and depositing those funds in the General Fund and funding the Tourism Division with General Funds. The revenue source to fund the Film Division, which was always funded by transfer from the Commission on Tourism, still reflected the transfer from The Tourism Division which left a hole in the budget. The Committee's action in restoring the room tax monies in the Commission on Tourism budget and the subsequent action to approve the restoration of historic transfers from the Commission on Tourism budget are sufficient to fund the Film Division. The write-up I have in [Exhibit C](#) is no longer appropriate. Staff recommends concurrence with the actions the Subcommittee approved in closing the Commission on Tourism budget to restore the room tax money in that budget and to continue the historic transfers of room tax monies to certain State agencies, one of which is the Film Division.

Decision unit E-610 recommends elimination of the associate film position.

E-610 Staffing and Operating Reductions – Page ECON DEV & TOURISM-12

At the Work Session the Subcommittee concurred that the associate film position could be eliminated. I indicated there would be a layoff involved, but there has been a vacancy in the Agency and there will be no layoff because the vacancy is the same type of position. Staff recommends that position be eliminated.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO FOLLOW STAFF'S RECOMMENDATION TO RESTORE THE ROOM TAX REVENUES IN B/A 225-1522 AND TO CONTINUE THE HISTORIC TRANSFERS OF FUNDING TO CERTAIN STATE AGENCIES; AND TO APPROVE THE GOVERNOR'S RECOMMENDATION TO ELIMINATE AN ASSOCIATE FILM POSITION IN DECISION UNIT E-610 OF B/A 101-1527.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:

Decision unit E-250 provides \$21,293 in each fiscal year of the 2009-2011 biennium for contract services for print insertions, trade events, advertising campaigns and sponsorships to get the categorical level up to the FY 2008-2009 level. Staff has no problems with that recommendation. The way it is funded is incorrect. Staff has corrected the funding sources in [Exhibit C](#).

E-250 Working Environment and Wage – Page ECON DEV & TOURISM-11

Staff also requests permission to make technical adjustments. There are some rent issues in this one also.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES TO FOLLOW STAFF'S RECOMMENDATION TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNIT E-250 OF B/A 101-1527 WITH ADJUSTMENTS TO CORRECT THE FUNDING SOURCES; TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS TO SALARY AND FRINGE BENEFITS AND FOR FINAL ASSESSMENTS AND ALLOCATIONS.

SENATOR RHOADS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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MR. ABBA:

The next budget account is Rural Community Development, B/A 101-1528.

Economic Development - Rural Community Development – Budget Page ECON
DEV & TOURISM-16 (Volume II)
Budget Account 101-1528

There are no major issues in this budget. Staff recommends the budget be closed as recommended by the Governor. There will be a work program submitted by the Agency to add Community Development Block Grant monies received from the ARRA which should amount to about \$750,000. They have not yet received the award or grant instructions as to how those funds should be used. The IFC will be reviewing that work program.

SENATOR RHOADS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO CLOSE B/A 101-1528; AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS TO SALARY AND FRINGE BENEFITS AND FINAL ASSESSMENTS AND ALLOCATIONS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

MR. ABBA:

The next budget account is Procurement Outreach, B/A 101-4867.

Economic Development - Procurement Outreach Program – Budget Page ECON
DEV & TOURISM-22 (Volume II)
Budget Account 101-4867

There are no major issues in this account. Staff recommends the budget be closed as recommended by the Governor with Staff's technical adjustments.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO CLOSE B/A 101-4867; AND TO AUTHORIZE STAFF TO MAKE TECHNICAL ADJUSTMENTS TO SALARY AND FRINGE BENEFITS AND FINAL ASSESSMENTS AND ALLOCATIONS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

ASSEMBLYMAN GOICOECHEA:

I realize this is room tax money, but it still will impact the General Fund. Do we have a running number as to where we are? Can Staff give us a report on that?

MR. ABBA:

We will be happy to provide a report on that.

Ms. WALLER:

The next budget is Consumer Affairs, B/A 101-3811.

COMMERCE AND INDUSTRY

BUSINESS AND INDUSTRY

B&I-Consumer Affairs – Budget Page B&I-96 (Volume II)
Budget Account 101-3811

The *Executive Budget* recommends elimination of the Consumer Affairs Division (CAD) in its entirety which would result in elimination of 18 authorized positions and possibly 11 layoffs. Budget Amendment No. 113 was submitted, transferring the responsibilities for the complaint investigations relating to auto repair shops to the Division of Motor Vehicles (DMV). That position-related cost would be transferred and funded through the Highway Fund. Supporting justification for this transfer relates to the fact that the DMV handles the registrations of the auto repair shops and Consumer Affairs handles the investigations which creates confusion for the consumer. By transferring this position to the DMV both functions would be handled by the same Agency. There was uncertainty whether the DMV could accept this position transfer. It appears that the DMV has identified sufficient budget reductions in order to remain within its highway administrative expense cap. They have included this position transfer in their budget. Based on the foregoing, Staff believes this recommendation is reasonable. This position transfer would be considered outside of the other options Staff will present.

Does the Subcommittee wish to approve Budget Amendment No. 113 to transfer this compliance investigator position from the CAD to the DMV? If so, this action should be contingent upon approval of a budget amendment by the Joint Subcommittee on Public Safety, Natural Resources and Transportation on May 1, 2009.

SENATOR HARDY MOVED TO RECOMMEND TO THE FULL COMMITTEES APPROVAL OF BUDGET AMENDMENT NO. 113 TO TRANSFER ONE COMPLIANCE INVESTIGATOR POSITION FROM THE CAD TO THE DMV, CONTINGENT ON APPROVAL OF BUDGET AMENDMENT NO. 113 BY THE JOINT SUBCOMMITTEE ON THE PUBLIC SAFETY/NATURAL RESOURCES/TRANSPORTATION; AND ALSO CONTINGENT ON THE CLOSURE OF THE DMV BUDGET.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED. (SENATOR WOODHOUSE VOTED NO.)

Ms. WALLER:

At the Work Session on March 24, 2009, there was a general consensus to deny the Governor's recommendation for the entire elimination of the CAD. The

Subcommittee requested the Division prioritize its essential services and work with Staff to develop a plan to identify the necessary resources for implementation. Fiscal Staff met with representatives of the Budget Division, and the Director's Office on April 20, 2009, to discuss the priority of these essential services requiring staffing levels to present before the Subcommittee. Several options were discussed. Based on those discussions, we reached a consensus and present some options for the Subcommittee's consideration.

The Division has identified its top three essential services as: investigations and enforcement; education and outreach; and business registration and compliance. Presently there are eight industries the Division registers and those are listed in the table on page 15 of the closing list. Table 2, listed on page 16, identifies the complaints received and investigated in FY 2007-2008 and also identifies Option No. 1 and Option No. 2.

Option No. 1 would focus on the five top complaint areas: merchandise sales, Internet, mail-order sales, general and door-to-door sales. That would entail the discontinuation of the registration of those eight industries previously noted in Table 1. The Division has indicated that a staffing level of five positions would be necessary and the Director's Office would be able to provide the fiscal support under that staffing scenario. With the significantly reduced staffing level, the Division proposes, under this option, to close its Reno office which is currently staffed with three positions. The Department indicates it would be more cost-effective to send an investigator out for one week a month to process the complaints that northern Nevada receives. Based on historical indications, that would be about 25 percent of the complaints received by the State. The annual cost of that once a month travel would be approximately \$16,600 as opposed to maintaining the Reno office at a cost of approximately \$28,000.

Additionally, the Division suggests that in order to handle the large call volume it receives, approximately 15,000 calls per year, an automatic phone directory should be installed to direct these calls to the appropriate agencies for resolution. It would cost approximately \$500 to \$1,000 to install this phone directory.

The Division indicates the registration fees contained in statute do not support the registration cost to administer the function. Under Option No. 1, the discontinuation of the registration function would result in a decrease of General Fund revenues of approximately \$96,425 per fiscal year. In regard to the Credit Service Organization (CSO) registrations, the Mortgage Lending Division (MLD) has confirmed with the Director that it could assume this registration function with minimal cost and no additional staff. Therefore, the transfer of the CSO registration function to the MLD is proposed under this option. The remaining seven industries would still be required to register for a business license even though they would no longer be required to register with the CAD.

On a related note, the issue of loan modifications and foreclosure issues was discussed in the meeting. The general consensus was that because of the MLD's existing knowledge, expertise and experience relating to these issues, the MLD would be the best division to handle these functions, rather than

delegating this new area of focus to the CAD. The MLD has indicated to the Director it could assume responsibility for these areas with the existing staffing level and no additional cost to the General Fund. The proposed legislation in A.B. 152 would require the registration of a loan modification consultant and a foreclosure consultant. The registration and penalties for any violations would be under the provisions of *Nevada Revised Statutes* 645B which governs the MLD.

ASSEMBLY BILL 152: Makes various changes concerning mortgage lending and related professions. (BDR 54-787)

Should this legislation be approved, then all responsibilities related to loan modification and foreclosures would reside within the MLD.

Option No. 2 would contain the same services as Option No. 1 with the addition of limited business registration and compliance functions. That would be for the top three complaint areas in those registered industries: health clubs, sellers of travel and telemarketing. The closure of the Reno office would be proposed under this option. Nine positions would be required: one Commissioner, three compliance investigators, four administrative assistants and one fiscal person.

If the Subcommittee prefers Option No. 2, the Consumer Affairs Recovery Fund would not be eliminated as recommended by the Governor. As a result of a one-time transfer, the projected ending cash balance of \$25,120 recommended to be transferred to the General Fund would not occur.

Option No. 3 would be to approve the Governor's recommendation to eliminate the CAD. If this is selected, legislation contained in BDR 18-1201 would need to be approved in its entirety.

BILL DRAFT REQUEST 18-1201: Eliminates Consumer Affairs Division. (Later introduced as A.B. 561.)

Does the Subcommittee wish to approve one of the following options?

Option No. 1 would retain 5 of the 18 positions recommended for elimination at a General Fund cost, or addback, of \$783,000 for the 2009-2011 biennium.

Option No. 2 would retain 9 of the 18 positions recommended for elimination at a General Fund cost, or addback, of \$1.14 million over the 2009-2011 biennium.

Option No. 3 would be to approve the Governor's recommendation to eliminate the entire CAD. This excludes the position transfer to DMV in order to continue the investigations of auto repair shop complaints.

If the Subcommittee does not choose any of these options, Staff seeks guidance as to the priorities the Subcommittee desires to assign and fund for the CAD. Regardless of whether or not the Division is entirely eliminated or partially restored, the provisions contained within BDR 18-1201 would need to be enacted.

CHAIR HORSFORD:

Would the Director come forward to testify? I think there is one additional caveat to Option 3 that should be on the record: if the office is closed, is there a position within Business and Industry that could be filled with an individual who has qualifications in some of these areas? I do not know if that would require any additional staff to process inquiries. I have concern about who a consumer goes to for resolution of their issues. That is why I feel the CAD is an important asset. If Option No. 3 is chosen, and the CAD is closed, I think it would require some administrative support or call center support for taking those calls. Please elaborate on this further and what the cost might be.

MS. CORNWALL:

We have been holding a position open in the Director's Office of the Division of Business and Industry. The position is vacant because we reorganized the Office and were not certain what would happen with this particular entity. We would move someone with qualifications in to help with these calls, at least until people become accustomed to not having that resource. Part of that ongoing position would probably be a referral of resources to assist people with their issues. I would still recommend putting in a phone tree, as much as I hate them, so that people could access that for referrals as well.

CHAIR HORSFORD:

Is any additional administrative support required to take the initial call? I do not think the deputy director should be answering the phone.

MS. CORNWALL:

I agree. I believe we would have to come back and request a clerical position. We have not reviewed that scenario. You are right. It is not appropriate for that person to be answering the phone. We have one staff person in our Las Vegas office, but I believe we would have to add another person.

ROBIN V. REEDY (Deputy Director of Administration, Director's Office, Department of Business and Industry):

We have not reviewed the scenario. I compliment you on finding a scenario we have not researched. I would suspect that with the addition of a phone tree and the administrative staff we have, it may be a .50 FTE position that would be needed, but I would have to run those numbers.

ASSEMBLYWOMAN MCCLAIN:

What are some examples of places where someone who has questions would be referred?

MS. REEDY:

I do not have that information here. We analyzed that and we followed referrals that flow out of the Agency. Some of the referrals would go to the Attorney General's office; some would go to a Justice Court and some would be sent to the Contractor's Board. We get 15,000 telephone calls a year and a third of them are referred.

ASSEMBLYWOMAN MCCLAIN:

Do you think a half-time person would be able to do that? Of course, the Agency is not going to have the auto shop or the mortgage lending calls. What

is left is the telemarketing, the travel people and the health clubs. Are there many complaints in those three areas?

MS. REEDY:

The problem in eliminating the CAD is that initially we are still going to have 15,000 calls coming in that will need direction to other places. That is the uncertainty I am trying to express in that half-time position. If we were able to have a phone tree that would clear out a certain number of calls, some of the other calls would be taken by two administrative people answering the telephones, and a few more detailed calls would be for the deputy director. I suspect we would not need more than a half-time position initially.

ASSEMBLYWOMAN MCCLAIN:

If someone calls with something related to garages, you would refer them to DMV, give them the phone number or transfer the call.

MS. REEDY:

That is exactly what the phone tree would try to eliminate, by giving out those numbers. If the phone tree does not answer any of their questions, the call would then end up going to a real person.

ASSEMBLYWOMAN MCCLAIN:

Do we have a sophisticated enough telephone system these days to state where their call should be directed and either give the number or transfer the call? That is the biggest complaint we hear from people.

SENATOR WOODHOUSE:

Of these three options, are any of the positions presently vacant? Will any of those positions be subject to lay-off?

MS. WALLER:

The Division has 19 authorized positions, but one of them is scheduled to sunset at the end of this biennium. Of the 18 positions, there are 11 filled positions. If Option No. 3 is selected, one person would be transferred to the Director's Office.

CHAIR HORSFORD:

Let us decide which of the three options we want to pursue. The problem, as I see it, is this agency is underfunded. Option No. 1 would reduce it further. Option No. 2, with a scaled back version, allows it to continue. Based on information we received in a prior hearing, the majority of those 15,000 calls are actually on issues outside the Commission's authority. They cannot resolve them because they have no enforcement to resolve them. They have to direct them elsewhere.

The other thing is, they are only charging \$25 for those entities they register, except for the telemarketing. To make this more fee-supporting we would have to raise fees and these are probably smaller businesses that might not be able to afford it. As much as I have tried to preserve this Agency and its function, I feel the options we have are funded to a point that it would not work well. We would have to really scale back its function with Option No. 2; or, where the deputy director, at least for the biennium, has the responsibility to also manage

the calls and redirect them. You have 18 positions and 15,000 calls. We are in a bad economy and people have issues. I would say we should try to get two or three positions, or get two and come to IFC to add one later. That is such a small fiscal impact versus the option we have here. I believe it is imperative the ombudsman position be funded. As that bill proceeds, we have to make that decision or at least put it on the record that we are expecting to fund that position. We would not have to address things separately. I think it is integral to the current function and why the issue was brought forward.

MS. CORNWALL:

In all of our analyses we have never included the ombudsman. We always keep that as a separate piece because it has its own separate bill. We would house that person if it is an appropriate location for them.

CHAIR HORSFORD:

I think we should keep it in mind because we might miss it.

MS. WALLER:

If Option No. 3 is selected by the Subcommittee and it chooses to transfer one position to the Director's Office and approve another clerical position, it would have the ombudsman position. There would be three people, plus a phone tree if funding was approved for that. There would be two people in the budget closing and one more if the ombudsman is contained within the bill.

CHAIR HORSFORD:

I also do not like the phone tree. I think someone should pick up the phone, tell the person who they have reached, and then if they need to redirect them they can do so.

MS. CORNWALL:

I agree with you. The phone tree was an option we needed to explore. I do not want to disagree with my fiscal analyst. I appreciate all the hard work Ms. Waller has done on this issue. We have all worked hard to get this issue resolved. However, if we are not going to have the phone tree initially, I would want at least two clerical positions plus the transfer of the position into the Director's Office.

MS. REEDY:

If there is no phone tree, clearly more staffing will be necessary. I agree with the Director's comments. I believe we could run another scenario for the Director's budget closing. We could present it at that time.

CHAIR HORSFORD:

We do not have to make that decision on how many to add back now. We can make that at the Director's budget closing which comes back to us.

ASSEMBLYWOMAN MCCLAIN:

Could we make a motion not to eliminate the program, but transfer it back to the Director's Office?

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CHAIR HORSFORD:

No. You are eliminating it but transferring the call functions to the Director's Office for this biennium. I prefer to suspend, not eliminate.

ASSEMBLYWOMAN McCLAIN:

Could we leave the title out there without funding? It would be easier than having to reinstate it next time.

CHAIR HORSFORD:

There is a phone number now which would be transferred. It would be answered by the individuals assigned to that task. They could refer to other agencies and would probably maintain a call-log sheet, listing the number of calls, and the referral information. It would not be their responsibility to follow through to resolution.

ASSEMBLYWOMAN McCLAIN:

Could we be notified after the first year, through IFC, regarding how the calls have worked out, especially with the DMV and MLD?

MS. CORNWALL:

We will be happy to do that. The Subcommittee might consider increasing fines as a source of revenue, in addition to increasing the registration fees.

CHAIR HORSFORD:

We need to review everything; registration fees, fines, etc.

MR. ABBA:

We have a General Government Subcommittee meeting on May 5, 2009. We can bring this issue back to the Subcommittee at that time. With the cost of the additional staff, we would like to review the possibility of cost-allocating some of the staff because they are located in the Director's Office. It could be assessed against other divisions within the Agency and might reduce the General Fund impact. We would like to explore that with the Department.

MS. REEDY:

We are open to exploring that. However, I believe the other fee-assessed agencies may have a problem with supporting a CAD program under the Director's Office. It is certainly up for discussion.

CHAIR HORSFORD:

Let us give that direction to Staff, unless there is a disagreement on this approach, and then bring this option back with the specifics on the positions and any analyses on the cost allocation. I do not think we need a motion.

Assemblyman Conklin, you are going to make sure your bill that addresses loan modification gets done with the MLD. I think that would address a large part of what some of the complaints may be about.

ASSEMBLYMAN CONKLIN:

Mr. Chairman, that bill is in your House. I look forward to receiving your help.

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MS. WALLER:

Based on the Subcommittee's decision, essentially to approve the Governor's recommendation with adjustments to the administrative staff, the Recovery Fund would be eliminated under this proposal. We can consider closing that budget today.

B&I-Consumer Affairs Recovery Fund – Budget Page B&I-107 (Volume II)
Budget Account 101-3807

Without the registration of the sellers of the travel industry, the Governor's recommendation in decision units E-225 and E-226 is to transfer the ending cash balance at the end of FY 2009-2010 to the General Fund. The projected ending cash balance is about \$25,000.

E-225 Eliminate Duplicate Effort – Page B&I-108

E-226 Eliminate Duplicate Effort – Page B&I-108

ASSEMBLYMAN CONKLIN:

Rather than putting that cash balance in the General Fund, a part of the federal Security and Freedom Enhancement Act requires that we either have a bond for all of our licensees or mortgage lending recovery fund. If this money was already set aside for consumer recovery, there is a mortgage lending recovery fund bill that has been passed out of our House that is now in your House. That may be a good place for those funds, from one recovery fund to another. It may already be spoken for, however.

MS. WALLER:

It has been included in the Governor's recommendation. If the Subcommittee desired to make that change, it would require legislation to do so.

ASSEMBLYWOMAN MCCLAIN:

Does this mean if we do not have this CAD, they will not be collecting those fees anymore?

MS. WALLER:

That is correct.

CHAIR HORSFORD:

We need to have a motion to close this budget and have those funds revert to the General Fund.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION IN DECISION UNITS E-225 AND E-226 OF B/A 101-3807 TO ELIMINATE THE CONSUMER AFFAIRS RECOVERY FUND AND TRANSFER THE PROJECTED ENDING CASH BALANCE OF \$25,120 TO THE GENERAL FUND IN FY 2009-2010.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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CHAIR HORSFORD:
Since the Subcommittee has no further business to discuss at this time, this meeting is adjourned at 11:17 a.m.

RESPECTFULLY SUBMITTED:

Barbara Richards,
Committee Secretary

APPROVED BY:

Senator Steven A. Horsford, Chair

DATE: _____

Assemblyman Mo Denis, Chair

DATE: _____