

**MINUTES OF THE LEGISLATIVE COMMISSION'S
BUDGET SUBCOMMITTEE**

**Seventy-fifth Session
January 28, 2009**

The Legislative Commission's Budget Subcommittee was called to order by Chair Morse Arberry Jr. at 8:35 a.m. on Wednesday, January 28, 2009, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to the Grant Sawyer State Office Building, Room 4401, 555 East Washington Avenue, Las Vegas, 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 COMMITTEE MEMBERS PRESENT:

Senator Bernice Mathews, Cochair
Senator Steven A. Horsford, Cochair
Senator Bob Coffin
Senator Joyce Woodhouse
Senator Dean A. Rhoads
Senator Warren B. Hardy II

SENATE COMMITTEE MEMBERS ABSENT:

Senator William J. Raggio (Excused)

ASSEMBLY COMMITTEE MEMBERS PRESENT:

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

STAFF MEMBERS PRESENT:

Bob Atkinson, Senior Policy Analyst
Brian Burke, Principal Deputy Fiscal Analyst
Sarah Coffman, Policy Analyst
Joi Davis, Policy Analyst
Scott Edwards, Policy Analyst
Jeff Ferguson, Policy Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Mark Krompotic, Senior Policy Analyst
Julie Waller, Policy Analyst
Cynthia Clampitt, Committee Secretary

OTHERS PRESENT:

Edgar J. Roberts, Director, Department of Motor Vehicles
Dennis Colling, Chief of Administration, Administrative Services Division,
Department of Motor Vehicles
Susan Martinovich, P.E., Director, Nevada Department of Transportation
Allen Biaggi, Director, Department of Conservation and Natural Resources
Jim Lawrence, Administrator, Nevada Division of State Lands, Department of
Conservation and Natural Resources
Kay Scherer, Deputy Director, Department of Conservation and Natural
Resources
Jason King, Deputy Administrator, Division of Water Resources, Department of
Conservation and Natural Resources
Leo Drozdoff, Administrator, Division of Environmental Protection, Department
of Conservation and Natural Resources
John Singlaub, Executive Director, Tahoe Regional Planning Agency
Larry Mosley, Director, Department of Employment, Training and Rehabilitation
Cindy Jones, Acting Deputy Director and Administrator, Division of Employment
Security, Department of Employment, Training and Rehabilitation
Ardell Galbreth, Deputy Director, Department of Employment, Training and
Rehabilitation
Renée Olson, Chief Financial Officer, Director's Office, Department of
Employment, Training and Rehabilitation
Anthony Lesperance, Ph.D., Director, Department of Agriculture
Donna Rafferty, Administrator, Division of Plant Industry, Department of
Agriculture
Mark Jensen, Administrator, Division of Resource Protection, Department of
Agriculture and State Director, USDA Animal and Plant Health Inspection
Service
Andrew Clinger, Director, Department of Administration
Pat McGinnis, Chief Engineer, Building and Grounds Division, Department of
Administration
Keith Wells, Administrator, State Motor Pool, Department of Administration

CHAIR ARBERRY:

We will open the meeting with the budget overview of the Department of Motor
Vehicles (DMV).

PUBLIC SAFETY

DEPARTMENT OF MOTOR VEHICLES

EDGAR J. ROBERTS (Director, Department of Motor Vehicles):

I will read from prepared testimony, ([Exhibit C](#), original is on file in the Research
Library). Our presentation will address some of the Department's
accomplishments over the past two years, our revenue projections and the
status of the 22-percent cap on use of revenues from the Highway Fund,
highlights of the *Executive Budget* for the next biennium and our progress with
the federal Real ID Act of 2005.

We have prepared a binder containing highlights of our budget for the
Committee ([Exhibit D](#), original is on file in the Research Library).

The Department is an advocate of the one license, one record and one identity concept.

We are, on average, within the goal of the maximum 60-minute wait time for our metropolitan offices. Our goal is to continue to expand alternative technologies. There are a few solutions yet to be implemented or expanded.

Our kiosks have proven to be an award-winning solution for those customers renewing their registration, seeking driver-record printouts or reinstating their insurance suspension due to a lapse of coverage. During fiscal year (FY) 2007-2008, there were 277,000 transactions completed using the kiosks, a 15-percent increase over the previous year. The DMV kiosks have won five national awards. With additional enhancements to the kiosks, we have avoided using the counter technicians to process these simple requests.

The Emission Station Registration Renewal program has continued to grow and new partnerships are being added.

The use of website renewals continues to grow through an aggressive public education campaign. During FY 2007-2008, over 907,000 transactions were processed through use of alternative technologies.

In mid-January 2009, the DMV finished transitioning the 21 field offices to a new Central Issuance program. Central issuance solved the need for a more secure driver's license and the need to maintain security of the driver's-license process. The program has two components; a secure card produced in a central facility and use of facial recognition software.

Customers will leave local offices with an interim document granting the customer driving privileges for 30 days. Their old license, for use as a means of photo identification, is returned to them after being marked as no longer valid.

The facial-recognition software compares the customer's photo against all Nevada DMV images to determine if fraud has occurred under another name. It has other advantages as well.

The Electronic Dealer Report of Sale program, (EDRS) begun on December 24, 2008, allows online registration for customers who purchase a vehicle from an authorized Nevada dealer in the pilot program. A customer can transfer their existing license plates or receive new standard license plates through the mail. The certificate of registration and expiration decal will be mailed within two business days. New license plates will be mailed separately within ten business days.

To enhance alternative technologies, multiple payment options are being offered. By allowing the public to use a debit card or e-check, instead of a credit card, the cost to the State is greatly reduced.

Significant progress has been made on the motor carrier conversion project. Phase One, during the 2004-2005 biennium, included a new web-based Nevada Fuel Supplier Tax program thus reducing the annual contract costs by \$262,000 each year.

We are currently in Phase Two, with an expected completion date of June 2009, which will allow automated International Registration Plan registration of 100 percent of Nevada-based carriers. This phase anticipates a savings of \$317,000 in each subsequent fiscal year.

Phase Three of the conversion project will add the International Fuel Tax Agreement functions of special fuel-user tax reporting and payment capabilities.

On completion of the conversion, the net savings are anticipated to be approximately \$500,000 each year.

The Human Resource Unit emphasizes staff training for customer service and ensures stability in the future through preparation of tomorrow's leaders. Ongoing training provides information on program and application changes to ensure accurate assistance to our customers through the Employee Development Unit. The Human Resource Unit also provides career planning to employees.

Much of the focus of the Fraud Unit is on persons who use false or forged driver's licenses, forged or counterfeit immigration cards, birth certificates or social security cards to obtain a Nevada driver's license or identification card.

The Fraud Unit has investigated thousands of identity theft cases with many related to, or used in conjunction with, other criminal activities.

CHAIR ARBERRY:

Our staff has provided the Committee with information concerning the Highway Fund. All other departments that receive revenue from the Highway Fund have reduced their budgets. However, it appears the DMV has a 41-percent increase.

MR. ROBERTS:

The DMV is reducing positions. We have eliminated 15 positions in the next biennium and have held another 127 positions vacant.

CHAIR ARBERRY:

If the Department is cutting positions, why is a 41-percent increase needed? Please provide the details to the Committee at a later date.

MR. ROBERTS:

Due to reduced revenues with the economic downturn in FY 2007-2008 and FY 2008-2009 and the requirement to remain below the 22-percent cap on use of the Highway Fund, we have left 127 positions vacant to date. We have reduced spending in operations and equipment purchases. The Department has also eliminated 15 positions in our current budget requests.

The DMV anticipates distribution of \$223 million in FY 2009-2010 and \$222 million in FY 2010-2011 to the Highway Fund excluding more than \$184 million from gas-tax collections.

COCHAIR MATHEWS:

Is the budget administrator present who can answer Chair Arberry's question concerning a 41-percent increase in the DMV budget requests?

DENNIS COLLING (Chief of Administration, Administrative Services Division, Department of Motor Vehicles):

I am not aware of a 41-percent increase in our request.

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

The area being considered is the Highway Fund authorizations of \$103.5 million for the DMV budget in the 2007-2009 biennium. The Governor has recommended approximately \$145.9 million in authorization during the 2009-2011 biennium or a 41-percent increase.

MR. ROBERTS:

I believe you are talking about the 20-percent change in the funding mechanism. Is that correct?

MR. GHIGGERI:

That is part of it. The other part is attributable to a reduction in the revenue collectables from other sources.

MR. ROBERTS:

That is correct. That is part of the Department of Administration (DOA) bill to be introduced. Due to declining revenues, the DMV will be meeting with the Legislative Counsel Bureau and Budget Office staff in March to update revenue projections and calculations of the 22-percent cap.

Because of the DMV funding issue, the DOA will be submitting a bill draft request (BDR) to address a proposed solution to the DMV funding cap for the Legislature's consideration. Currently under the 22-percent cap, the Legislature can allocate Highway Funds to the DMV operation only up to 22 percent. The cap was originated in 1957 with no documented rationale behind its establishment. Over the years, as the needs and the demands of the Department have grown, the DMV, through the Legislative process, has used a patchwork of fees, penalties and commissions to fund the remaining portions of various operating budgets. Revenue sources other than the Highway Fund now represent approximately 50 percent of the total funding for the DMV budgets. The risk of using alternative sources for the DMV budgets is that if the alternative source revenues do not materialize at the projected levels, adequate budget resources for expenditures will not be available.

The BDR has three components. They are the inclusion of excise tax on gasoline in the 22-percent cap calculation; all fees, penalties and miscellaneous revenue collected by the Department will flow directly into the Highway Fund and the 22-percent cap requirement contained in the *Nevada Revised Statutes* (NRS) 408.235 will be lowered from 22 percent to 20 percent. The commissions paid to the DMV for collection of various taxes on behalf of other governmental agencies will continue to flow into the DMV budgets. The DMV's funding stream will be understandable and will continue to be subject to the fiscal authority of the Legislative Branch. The 41-percent request is because of the 20-percent cap calculation including the excise tax on gasoline.

COCHAIR MATHEWS:

Please provide the Committee members with a detailed, written report explaining the 41-percent budget increase.

MR. ROBERTS:

We will provide a report to the Committee.

ASSEMBLYWOMAN MCCLAIN:

Also, please include the rationale behind changing the cap percentage and decreasing the amount of funding for highway construction.

MR. COLLING:

We will include that information.

SENATOR COFFIN:

The next budget on the agenda is that of the Nevada Department of Transportation (NDOT) and I will be asking whether the administration is anticipating an increase in the fuel taxes to increase funding for highway repair. Part of the question we are discussing may be answered then. If more revenue is going to be raised for highway repair, then the DMV would also receive more revenue. Are you aware of such a proposed increase?

MR. ROBERTS:

I have no information on the budget proposals of the NDOT.

The DMV will request three new positions for customer service. The Pollution Control Unit of the Compliance and Enforcement Division has requested one position to supervise a pollution control program in Las Vegas. The position is needed due to increasing workload and the staffing ratio. This is a fee-funded budget account and has sufficient revenue to fund the position.

The Las Vegas Hearings Office has requested two new positions; one driving under the influence (DUI) adjudicator and one legal secretary. Pursuant to the NRS 483.463, a party has the right to request a hearing at any time during their suspension or revocation period. Once a hearing is requested, the petitioner may obtain a temporary driver's license allowing them to drive until a written decision is rendered. In addition, the NRS 484.387.1 requires the hearing to be conducted within 15 days after the request or as soon as practicable. It currently takes approximately three to five months for a hearing to be conducted. The number of DUI hearing requests has increased 47 percent since FY 2003-2004.

The *Executive Budget* includes four supplemental requests for FY 2008-2009 from the Highway Fund totaling \$3,205,000. These are prompted by the current economic downturn. We have also experienced an increase in witness fee mileage reimbursements due to the passage of A.B. No. 323 of the 74th Legislative Session.

The final rules of the Real ID Act of 2005 have been published, and funding has been allocated through federal grants, U.S. D.O.T. funds and Phase I is well under way. The rules create a set of standards for the issuance of a driver's license and ID card to be used for federal official purposes including boarding federally-regulated commercial aircraft, entering federal buildings and nuclear power plants. Phase I must be implemented no later than January 1, 2010. Phase II concerns additional requirements to be implemented no later than May 10, 2011. Citizens may choose between a non-Real driver's license or ID card or a Real ID driver's license or ID card. Applicants for the Real ID card

will be required to provide evidence of their primary residence and lawful status. The applicant documentation will be electronically scanned.

The issuance requirements include electronic verification of identity, date of birth, social security card and lawful status documentation. The DMV will need technical changes, temporary staff to answer customer questions, and to provide a public education campaign that will ensure customers are prepared when they visit a DMV office.

ASSEMBLYWOMAN LESLIE:

I am confused about the choice between a Real ID document and a non-Real ID document. I thought the whole purpose for the Real ID Act of 2005 was to have all individuals using a standard document. Is there now a non-Real ID document?

MR. ROBERTS:

A customer may choose to use a passport for identification rather than a Real ID document.

ASSEMBLYWOMAN LESLIE:

Is that a change in the federal law? The Legislature has consistently been told everyone must have a Real ID document.

MR. ROBERTS:

A passport or military identification may be used in lieu of a Real ID document.

ASSEMBLYWOMAN LESLIE:

What is the benefit to a customer if they go through the process to get a Real ID and from what activities are they precluded without obtaining one?

MR. ROBERTS:

The Real ID allows an individual to board an airplane. There will be customers who will choose not to apply for a Real ID card and use their passport or military identification instead.

ASSEMBLYWOMAN LESLIE:

Please provide a chart of the differences between the applications and cards to the Committee to assist us in explanations to our constituents. The term non-Real ID card needs to be changed.

MR. COLLING:

The name, non-Real ID, is an issue. Perhaps we could call it an alternate ID card. In Nevada, there are certain individuals who will not wish to provide all the documentation to receive a Real ID card. Thus, those individuals would receive an alternate ID card.

MR. ROBERTS:

There is a section under the tab Real ID in [Exhibit D](#) that will answer some of the questions concerning implementation of the Real ID Act.

ASSEMBLYWOMAN LESLIE:

I read that section before asking questions. We need detailed information.

ASSEMBLYWOMAN GANSERT:

Will there be a difference in cost for the different forms of identification? Is it acceptable under the federal guidelines to have identification provided by the State that is not a Real ID or a passport?

MR. ROBERTS:

There is a difference from the current cost of \$22 based upon the required verifications for the Real ID form of identification. It is the customer's choice to apply for the Real ID license or to use a passport or military identification to board an airplane.

ASSEMBLYWOMAN GANSERT:

It was my understanding the intent of the original federal legislation was to ensure everyone is verified and has the required secure identification.

MR. ROBERTS:

A similar verification process is required to obtain military identification or a passport to what will be required by the DMV to obtain a Real ID card.

COCHAIR MATHEWS:

If I have the Real ID card and no passport, can I travel outside the United States or anywhere I wish to go?

MR. ROBERTS:

If Nevada does not meet the requirements of a material compliance state by 2011, you could not use your Nevada driver's license to fly on a federally regulated aircraft.

COCHAIR MATHEWS:

I see, I will need to have my passport as well as my Real ID driver's license to travel abroad.

ASSEMBLYWOMAN MCCLAIN:

What is the Real ID status at the federal level now that a new administration is in power?

MR. ROBERTS:

A bill was introduced in the U.S. House of Representatives, (H.R.) 140, that would withhold certain Highway Funds if a state does not comply with the new requirements in driver's license issuance or identification cards.

ASSEMBLYWOMAN MCCLAIN:

I am aware the National Conference of State Legislatures (NCSL) is not fighting the idea but is requesting federal funding for implementation. Will the State be reimbursed or subsidized by the federal government since it is their requirement?

MR. ROBERTS:

We have applied for, and received, two federal grants to date. We have placed \$1.5 million in our budget request to complete compliance with the Real ID Act. However, we have recently applied for an additional grant of \$1.5 million to cover the final implementation. By the time the federal government decides the distribution and amounts for each state in August 2009, the Nevada Legislature

will have adjourned. We would offset the budget with any federal funds received.

ASSEMBLYWOMAN MCCLAIN:

Is the DMV budget request from the Highway Fund or the General Fund?

MR. ROBERTS:

The \$1.5 million is a request from the Highway Fund and is included within the 22-percent cap for FY 2008-2009.

CHAIR ARBERRY:

You mentioned the customer will have the ability to register a vehicle from home through the Internet. Is that correct?

MR. ROBERTS:

It is a new program we are offering to select automobile dealers for new car registrations. We hope to expand the program to other dealers. It is titled the EDRS program that was initiated in December 2008.

CHAIR ARBERRY:

Then, this would be a dealer using the process, not an average citizen on their home or laptop computers?

MR. ROBERTS:

That is correct. When a new vehicle is purchased, the information is auto-populated to the DMV system, the customer is provided a special number and the customer then goes to the DMV website, inserts the special number and their vehicle information is auto-populated; then it takes approximately 2.5 minutes to register with the new system.

CHAIR ARBERRY:

How will the customer provide proof of insurance when they register on the Internet?

MR. ROBERTS:

The program includes an affidavit the customer must check to confirm they have insurance on the vehicle. Subsequently, the Insurance Verification Unit will verify the information.

CHAIR ARBERRY:

How soon will the Unit verify the information?

MR. ROBERTS:

That will occur as soon as the information is received in our system.

ASSEMBLYWOMAN KOIVISTO:

I can tell you, as someone who has been struck by an unlicensed driver, our insurance verification system does not seem to work.

SENATOR COFFIN:

Are there any proposals from the Traffic Safety Division concerning use of cellular telephones when driving?

MR. ROBERTS:

The issue of safety and cellular telephones when driving would be part of the Department of Public Safety (DPS).

SENATOR COFFIN:

It appears we still do not have an adequate system for reporting and requiring those individuals from other states, who try to remain registered in their former state of residence, to register in Nevada. The DMV is losing revenue in those situations. Does the DMV have any proposals for improving the method to identify and enforce registration within the State of Nevada? There may be as many as 15 to 20 percent of vehicles not validly registered. Is that correct?

MR. ROBERTS:

There is an area on the DMV website for people to report cars they find which are improperly registered. The DMV then provides a monthly report to the Nevada Highway Patrol (NHP) for enforcement.

SENATOR COFFIN:

I attempted to call the DMV to determine why it took so long to register a complaint. The system you are using by advising the NHP is not adequate because their jurisdiction does not cover a large portion of this State. Is there a way to interface with local law enforcement for a faster, more reliable response? It is not fair to people who obey the law whose neighbor may be driving illegally with Oregon license plates.

MR. ROBERTS:

The DMV submits the information to the NHP hoping they would share it with other law enforcement agencies. We will research whether it is feasible to send it to other agencies as well.

SENATOR COFFIN:

We must be proactive in our efforts. I thought we had a better system. Does Nevada have a triple penalty on late registrations?

MR. ROBERTS:

I do not currently have that information; however, I do not believe we have a triple penalty.

The penalties associated with noncompliance of the Real ID Act provisions of H.R. 140 begin at a linear level and rise from 2 to 8 percent of Highway Fund allocations. Our goal is to stay on track with the implementation process. The DMV has applied for federal grants.

CHAIR ARBERRY:

We will now open the hearing on the Nevada Department of Transportation.

INFRASTRUCTURE

DEPARTMENT OF TRANSPORTATION

SUSAN MARTINOVICH, P. E. (Director, Nevada Department of Transportation):

The NDOT is a Highway Fund agency, as discussed earlier. The NDOT is constitutionally separated from the General Fund. We are a statewide agency

with approximately 1,770 employees. The NDOT has major maintenance stations in Las Vegas, Elko and Reno. There are minor maintenance stations in Elko, Winnemucca and Tonopah. There are further small maintenance stations located across the State.

I have provided the Committee the *FY 2008-2009 Annual Report for 2007 Assembly Bill 595 to the Board of Directors* ([Exhibit E](#), original is on file in the Research Library) and a binder titled, "Nevada DOT, Nevada Department of Transportation 2009" ([Exhibit F](#), original is on file in the Research Library). I will briefly summarize a couple of items these documents contain.

During the previous two years, there have been five major focus areas. Two years ago, the Statewide Strategic Safety Plan was created collaboratively with other agencies. Other agencies included the DMV and the DPS. I am pleased to testify that during this time period, there has been a reduction of almost 60 highway fatalities each year. In 2006, approximately 435 individuals died on Nevada streets and highways. In 2007, there were slightly more than 300 fatalities.

Efforts have been made to improve median and edge rumble strips, education and enforcement in key areas.

The NDOT has developed a Construction Advisory Committee working with a small group of contractors statewide to review efforts in specifications, partnering and bidding practices to enhance its ability to attract quality projects.

Efforts have also been made to include disadvantaged business enterprises and women within the construction and transportation industries.

Over 25 percent of the NDOT staff is eligible for a 30-year retirement. Thus, we are working to train employees to obtain the benefits and tools needed to fill leadership positions.

We have enhanced our communications through the 511 telephone service which provides roadway information on weather, road work and roadway areas that may be closed.

There is a cooperative program with the Las Vegas Regional Transportation Commission (RTC) which operates and manages the freeways, including ramp meters, at certain major arterials joining the freeway that denote the amount of time it will take to move from the south end of Interstate 15 (I-15) to the north end. These are efforts to provide the public with information from which to make informed choices.

Also, in southern Nevada, we have formed the Traffic Incident Management Coalition (TIM) which is a group coordinating law enforcement and emergency response to rapidly clear freeways and highways of accidents. The NDOT has found when traffic becomes congested, it takes almost five minutes for each minute the traffic is backed up to clear a roadway. There are also a high number of secondary accidents as a result of primary accidents. The TIM Coalition has made commitments to clear an accident in a certain amount of time.

The Freeway Service Patrol in Las Vegas and Reno provides vehicles with individuals trained in emergency response who carry emergency fuel, batteries and other vehicle needs to ease congestion.

The staff of the NDOT has made efforts to streamline the project deliveries through better communication between the various divisions of the Department. We are working with the Federal Highway Administration and the National Environmental Protection Act (NEPA) on the cumbersome and time-consuming area of project development.

We receive federal revenue for rural transit which sprung from a \$1 million project in 1999 to over \$8 million in 2008. We anticipate that fund to continue to grow. The rural transit ridership in 2007 was 1.7 million individuals.

The NDOT receives federal funding to help administer the rural airports. Several years ago the Legislature committed \$500 million to match federal funding and the NDOT has now garnered \$19 million in federal funding for signage, striping and general rural airport infrastructure.

The NDOT has a landscape and aesthetics program which is focused on operations.

During the 74th Legislative Session, there were several funding bills to which the NDOT has responded. One such bill was A.B. No. 544 of the 74th Session which provided \$170 million surplus from the General Fund, of which \$154 million was designated for the I-15 design/build project in Las Vegas from the Spaghetti Bowl to Craig Road. Another \$16 million in surplus funds was allocated to the Blue Diamond Highway. The I-15 North design/build project is underway. However, a portion of the \$136 million of the total allocation was rescinded during the 25th Special Legislative Session. Because of the importance of the I-15 project, the NDOT covered the cuts through reductions in the pavement preservation program.

Later A.B. No. 5 of the 24th Special Session returned \$20 million toward the I-15 project and another \$30 million is proposed through the sale of general obligation bonds. Those funds, when received, will be applied to overlay work on U.S. 395 between Bowers Mansion and Pagni Lane. The remaining funds will be applied to the project near Logandale on the I-15 interchanges.

Next, A.B. No. 595 of the 74th Session was a funding bill providing revenue through taxes on car rentals, property tax and a one-shot appropriation from the Las Vegas Convention and Visitors Authority (LVCVA) to a maximum of \$300 million. It requires the NDOT to provide certain reporting functions and benefit cost analysis. That report is provided both quarterly and annually ([Exhibit E](#)).

The NDOT has 15 performance measures in major operations addressing administration, construction, project delivery and planning components. To date, the NDOT has only utilized the LVCVA funding portion of A.B. No. 595 of the 74th Session. Twenty-five million dollars was used for the I-15 express lane projects from Sahara Avenue to the Interstate 215, increasing capacity in the median where vehicles can drive straight through. We are working with the LVCVA on the release of funds for a second design/build project on I-15 from

Tropicana Avenue to Las Vegas Boulevard. The traditional project method is a design/bid/build model. The NDOT has combined the bid and build process and the first project has been very successful. We anticipate this will shave off a couple years in project construction design time.

When enough revenue is generated from other sources like the car-rental tax and the property tax, we anticipate its use on U.S. 95 from Ann Road to Rainbow Drive which will be complete in approximately 2012. Another anticipated project is in northern Nevada on northbound U.S. 395, in Reno, from Moana Lane to the Spaghetti Bowl, by 2014. The criteria of the legislation stated the money raised in a county must stay within that county. We also anticipate working with the Washoe County RTC to provide funding sooner should their efforts to index the gas tax pass. The funds would be used for the U.S. 395 project.

The NDOT biennial budget is crafted so that, at the end, the Department will have a minimum balance of \$100 million. Estimating the revenue and calculating the ending balance leaves the NDOT with a two-year budget of \$1.2 billion. The \$100 million end balance is necessary to be prepared, if a tragic emergency resulting in no highway funding occurs, to complete projects currently underway. Many projects are large and the Department feels it is prudent to retain \$100 million in the Highway Fund. The Highway Fund revenues are derived from the federal gas tax, the State gas tax, county taxes, leases and licenses. Our proposed expenditures for the 2009-2011 biennium ([Exhibit G](#)), given the status of revenues, are \$1.7 billion, of which \$1.2 billion is for the NDOT.

Bond repayments are also required. Over the last five to ten years, we made the decision to sell bonds to fund major projects. This was a wise decision because shortly after the bonds were sold and projects begun, there was a major increase in construction and material prices. However, it is time for the bonds to be repaid.

The cost of bond repayment is \$174 million, the DMV request is \$198 million, the DPS request is \$156 million and other agency requests totaling \$14 million are made from the Highway Fund. The NDOT expenditures are focused on pavement and help provide for a safe and secure transportation system. As a statewide agency we also have travel and per diem expenditures, especially to the Las Vegas area. We propose approximately \$70 million in the next biennium for operations. Our focus is on pavement preservation. We do the "low-hanging fruit" with this money. We use minimal strategies of signing and striping, sealing, pothole repair and sand/salt operations.

The NDOT received Legislative approval of \$9.9 million for replacement of our mobile and fleet equipment. However, because we are ranked as one of the top 100 agencies in the country for equipment management, and because of the economic downturn, we reevaluated our criteria for replacement equipment. Just because a piece of equipment reaches 120,000 miles, it does not necessarily need to be replaced. There will be no new replacements of our mobile fleet in the current fiscal year and we cut the FY 2010-2011 budget by 50 percent. We have been working with the Associated General Contractors to ensure we retain the correct equipment and do not duplicate services.

Specifications have been revised to ensure obtaining better equipment with a longer lifespan.

We will be purchasing equipment ordered in FY 2007-2008 because it has not been received. This item was approved by the Interim Finance Committee (IFC).

Other funding includes transit, railroads, aviation grants and bicycle planning. The largest portion of our funding goes to our capital program. Some of the constraints we face include: the NDOT receives money from the State gas tax, also from the federal gas tax. When the federal government provides funding, there are over 40 categories to which we are required to align our projects. Some examples are the \$50 million dedicated to interstate maintenance. Those funds may only be spent on I-15 and I-80 and only for maintenance. It cannot be used for interchanges or new capacity. Other funds are allocated only for bridges or safety. That challenges the NDOT to have appropriate projects ready so we can utilize all our federal funding.

ASSEMBLYWOMAN GANSERT:

What percentage of federal gas tax funds does Nevada receive compared to the portion Nevada pays?

MS. MARTINOVICH:

We receive slightly more per dollar than what is paid by Nevada. The federal allocation equates to approximately \$230 million to \$240 million each year. Added to that are earmarked funds we receive through our congressional delegation.

ASSEMBLYWOMAN GANSERT:

Are those funds calculated on the miles of roadway or on population? Is that why we receive greater funding?

MS. MARTINOVICH:

It is based on the percentage of population growth, the distances of travel and the amount of federal lands in Nevada. We are the only state that falls under the 95-percent rule. In other states, it is calculated on an 80-percent rule. Nevada is 95 percent federal funds matched with 5 percent State funds.

The Capital Improvement Program is not only our construction. It also includes our right-of-way acquisition costs and consultant payments. Consultant services have been greatly reduced by using of our staff. That, in turn, means our staff travels more across the State.

Our program is lean and we will be moving forward to obligate all federal funding. For several years, Nevada has been in a position to receive more funding during the fourth-quarter distribution because we have had projects ready to begin when other states have not. We are not slowing down the project design phase.

Federally, with the proposed stimulus package, the NDOT has coordinated with our local partners in identifying priority projects for the State. Should stimulus funds be allocated, we are ready to move forward on projects that have been agreed upon jointly. These include projects on I-15, U.S. 95, pavement preservation projects, and many new projects. We have over \$1 billion

to \$1.5 billion in projects already dependent on parameters of the proposed stimulus package. We are also watching the proposed stimulus package to see whether the funding is categorized. The message I have for the Legislature is that the NDOT will spend every penny we receive and place ourselves in a position to receive a portion of any future funding.

The federal fund for federal fiscal year (FFY) 2008-2009, through a continuing resolution, has not been fully appropriated, thus we are unsure what the final figures will be. The NDOT budget is based on a continuation of past years. We are conservative in our estimates. Our authorization bill expires on September 30, 2009. The NDOT will be coming back to the IFC to adjust our funding receipts if greater federal funding is received.

There are no enhancements in our budget and we are requesting no new positions. However, we are requesting reclassification of an existing position to an unclassified position for a civil rights officer. The position would coordinate our internal and external contract compliance efforts. With some departmental reorganization and the reclassification of this position, the NDOT will bring a high level of response to the civil rights program and needs of the disadvantaged and minority in Nevada. We have coordinated with Mr. Larry Mosley, Director, Department of Employment, Training and Rehabilitation (DETR) to identify mechanisms to expand our workforce.

The NDOT is exploring an electronic bidding process, working with our contractors, to provide a more streamlined way of doing business and to reduce administrative costs and some of the errors from manual entry. We will reduce the number of our temporary positions. The NDOT has over 200 temporary 6-month positions that are continually filled. We are requesting authority to use 60 of the temporary positions and convert them to 23 full-time equivalent (FTE) positions. It will save money and time for training and retraining these people particularly in roadway information and public communication areas.

The NDOT has also reduced its equipment replacement requests and is coordinating server consolidation with the Department of Information Technology (DoIT) as requested by the Governor. There is a significant inflation request related to the costs of oil, asphalt, sand and salt. We hear eastern states are experiencing tremendous shortages and high costs for salt. Our supplier is in Utah which allows us better pricing.

Proposed legislation all contain issues related to funding for the future. There is no proposal to change the State or federal gas tax. However, Washoe County has such a proposal. The NDOT proposals are through the public/private partnership areas including the tolling methods and automated enforcement. The proposed legislation will provide additional capacity in the Las Vegas corridor on U.S. 95 and I-15. The goal, in the demonstration project, is to provide reliability and more transit options. The new lanes, while requiring tolls for general customers, will allow transit facilities to travel for free. Coordination with the southern Nevada RTC will provide a reliable source for their new high-speed maxi bus.

There is also a right-of-way enhancement bill to allow advertising. Some concerns have been expressed; however, it is not a matter of billboards and signs being placed within the right-of-way. The NDOT is working closely with

the federal and local highway offices to ensure whatever information is placed is tasteful, as well as safe, to the driving public. It is simply an opportunity to generate revenue if an entity is willing to landscape the interchanges. The entity would pay a lease fee to the NDOT, landscape the interchange and continually maintain the landscaping. We view it as a great opportunity.

ASSEMBLYWOMAN SMITH:

Does the State have any voice in the placement of billboards or is that a federal mandate? I have grave concerns about the slippery slope of advertising.

MS. MARTINOVICH:

The State does have a voice. That is why the NDOT is bringing the legislation. The NDOT must not only gain approval through the federal highway administration, we need approval through the State Legislature. Under current statute, there is no advertising allowed in the right-of-way. When the bill is heard in the committees, we will provide visuals of the proposals and proposed restrictions. There are valid concerns.

In future years, the NDOT is considering the use of "vehicle miles travelled" as a revenue source instead of the gas tax. There has been a decline in gas-tax revenues. Customers are purchasing more fuel-efficient cars which are great for the environment, but those vehicles are still utilizing the roadways. This would be another mechanism with fairness for the users. There will be a charge based upon how much a vehicle is driven, where it is driven and the type of vehicle being driven. It is a cooperative research project with the Washoe County RTC to find good solutions for Nevada without creating additional burdens. We are currently pursuing the project because the NDOT expects this item to be included in the new authorization bill and we want Nevada to be proactive in the process.

Our future focus will be to continue project development. We are not slowing down. Many projects, especially capacity projects, take years to develop because of the NEPA issues and right-of-way requirements. More focus will be on diversity and employment. Getting projects on the ground puts people to work. We have heard that for every \$1 billion, 35,000 people will be going to work. We are working with the DETR to determine how many individuals are working because of the NDOT projects.

We will place more emphasis on climate and the environment. Transportation accounts for one-third of greenhouse-gas emissions. The NDOT wants to do its part to minimize those effects.

Our roads and bridges are ranked in the top five for smoothness and condition. Previous administrators and staff and current staff have done an excellent job of achieving those goals through partnerships with local entities. Each year we attend every county commission meeting in Clark and Washoe Counties. We have award-winning programs in landscaping and technology and are making great strides in roadway safety. With reduced revenue, there may be some drop in services, but our staff is committed to keeping our roadways safe. We will stretch every dollar we can. Special recognition should be given to our maintenance staff members who are the ones out in Las Vegas when it snows. Elko is always under snow.

SENATOR COFFIN:

Did your testimony state a pilot project on congestion pricing is being conducted in Reno?

MS. MARTINOVICH:

The test is not on congestion pricing, but is concerned with vehicle miles travelled (V and T study). A transponder will be placed in the vehicle to measure where a person drives and when they drive, such as during congested periods. They may be charged more than if they drive during off-peak hours. The charge, based on those parameters, will be charged when they fill up their gas tanks.

SENATOR COFFIN:

Is there a reason the NDOT did not roll that pilot program out in Clark County? Did you talk to Mr. Jacob Snow with the Clark County RTC?

MS. MARTINOVICH:

We did speak with Mr. Snow and we felt Washoe County would provide information concerning those who live in Washoe County but might travel to Carson City, Fallon or Fernley. We have enlisted approximately 100 volunteers. Once the program is started, there may be an opportunity to place it in Clark County as well.

SENATOR COFFIN:

Vehicle travel is also a function of weight distance measures. It is undisputed that heavy vehicles are causing the damage to roadways. There was a similar debate during the 74th Legislative Session and the Governor would not support a fuel tax increase on the heaviest vehicles. Has the latest cost analysis been completed?

MS. MARTINOVICH:

It has not been completed; it is in the final printing stages. The report is expected at the end of February.

SENATOR COFFIN:

That information is needed quickly. Two years have already been lost on revenue for road construction. Nevada can carry its own weight if proper taxing is in place. Have the proposals, stated in your testimony, been vetted by the Nevada State Transportation Board or are they simply coming from the NDOT through the Budget Office and the Governor's Office?

MS. MARTINOVICH:

Our programs have been provided to the Board which consists of the Governor, the Lieutenant Governor, the Attorney General, the State Controller and three at-large members. They are aware of the NDOT programs.

SENATOR COFFIN:

What is their opinion concerning weight distance pricing methods to introduce fairness to the costs of road maintenance?

MS. MARTINOVICH:

That issue has not been specifically brought before the Board. They have been informed of the V and T study. It does have a weight component. When the program is further expanded it will be addressed to the Board and a

determination will be made on how to move forward through the Legislative process.

SENATOR COFFIN:

Summarizing, there is no projected tax increase to raise funds for road construction except controversial measures to charge tolls. Is that correct? I am concerned about small motor vehicles and motorcycles travelling over the rumble strips.

MS. MARTINOVICH:

Our research has shown that vehicles get drawn into the rumble strips and then they stabilize and are able to drive out of the strips safely.

ASSEMBLYMAN HOGAN:

I would like to commend the NDOT for deciding, at a low cost, to create a stronger civil rights capability within the Department. With the tremendous amount of highway construction in the Las Vegas area, particularly the potential of additional federal funding, we hope to see literally thousands of additional job opportunities created. If the proposed position is filled with a highly-competent, energetic person, they could ensure reasonable diversity among the contractor workforce. Nationwide, the record is poor. Very few women, African-Americans or Asians are hired to work on such projects. The Hispanic population does somewhat better.

MS. MARTINOVICH:

That is also the reason we are requesting the position to be in the unclassified service to ensure the right person is placed in the position.

ASSEMBLYWOMAN SMITH:

With the change in the number of projects and the pressure the NDOT has been under for a number of years, is there any change in the use of consultants? It seems a lot of work, as seen by the public, is being done by consultants. I have discussed my concerns with you previously.

MS. MARTINOVICH:

We have reduced our use of consultants significantly. We still need to rely on them for specific expertise. Smaller divisions do not have sufficient staff. Historically, we use consultants when the workload is heavy and we reduce consultant services when things are slower. Because consultant costs are taken directly from the Capital Improvement Program (CIP), it reduces funding for projects.

ASSEMBLYWOMAN SMITH:

I am more tolerant of consultant use in professional/technical areas, but in public and media areas I am concerned about public accountability. As we have discussed, there should be Department staff representing the State.

MS. MARTINOVICH:

Because of your comments, the NDOT agreed to take more ownership of how we do business.

CHAIR ARBERRY:

We will now open the hearing to an overview of the Department of Conservation and Natural Resources (DCNR) budget.

CONSERVATION AND NATURAL RESOURCES

ALLEN BIAGGI (Director, Department of Conservation and Natural Resources):

I have provided the Committee with a copy of our PowerPoint presentation ([Exhibit H](#), original is on file in the Research Library). The first slide states the mission of the DCNR which is to conserve, protect, manage and enhance the State's natural resources for Nevada's citizens and visitors. There are eight divisions within the Department. There are also nine statutory boards and commissions that serve within the DCNR. All the division administrators are also present today.

Page 2 of [Exhibit H](#) reflects staffing for the current biennium and the proposed staffing during the 2009-2011 biennium. There is a reduction in staff resources as a result of budget reductions. Some layoffs are anticipated; however, we have been working diligently in the past biennium and will continue to do so to find positions for our layoff employees in the fee- or grant-funded programs or elsewhere. There is a proposed 18.19-percent General Fund reduction in the *Executive Budget* for the 2009-2011 biennium. The next item is the total Governor's recommended budget for the DCNR including all revenue sources and all fees and grants.

We have been asked to present an overview of the CIP for our Department. There are two proposed CIP projects and two in statewide roofing and paving projects.

The first CIP project is a traffic light at the Kyle Canyon Fire Station in southern Nevada. This is to correct a dangerous situation on a curve. We feel it is in the best interest of the public and our firefighters to install a traffic light at that location.

The second CIP project is for the Division of Forestry at the Stewart Conservation Camp. This project requests a dump station upgrade for waste water for use by inmates and staff members who are in the field to environmentally and safely dispose of waste water.

The two paving projects are for the Carlin and Winnemucca Conservation Camps. The roofing projects include the Washoe Forestry Nursery, Fort Churchill State Park and the Mormon State Park.

The DCNR has also been requested to provide a conservation bond, otherwise known as Q1, update. The Legislature approved the bonds in 2001 and the measure was subsequently approved by the voters in 2002. The total authority under Q1 is \$200 million. To date, we have sold approximately \$152 million in bonds. With approval of A.B. No. 554 of the 74th Legislative Session, the bond sales were extended from FY 2008-2009 to FY 2010-2011. There are Q1 projects currently underway in Clark, Lyon and Elko Counties.

SENATOR RHOADS:

Was the 7,000 acquisition in Elko County private land or Bureau of Land Management (BLM) land?

MR. BIAGGI:

I believe that land was BLM land.

JIM LAWRENCE (Administrator, Nevada Division of State Lands, Department of Conservation and Natural Resources):

It was private land that was acquired by the Nevada Department of Wildlife (NDOW) for wildlife habitat.

SENATOR RHOADS:

Since 90 percent of Nevada land is owned by the federal government, more land should not be turned into government land.

MR. BIAGGI:

I understand. We take the federal land issue seriously, but the NDOW felt this area was an extremely valuable wildlife habitat and moved forward on the acquisition.

SENATOR RHOADS:

Is legislation anticipated that addresses the 7,000 acres in Elko County?

MR. BIAGGI:

No, this is land that was acquired through the Q1 program.

SENATOR RHOADS:

The acquisition does not have to be approved by the Legislature?

MR. BIAGGI:

No, sir.

Fifteen of Nevada's seventeen counties have utilized Q1 funding. We are trying to bring the remaining Counties of Eureka and Esmeralda into the program.

Staffing in the Director's Office will be reduced from 13 FTEs to 11 FTEs in the next biennium. The Director's Office is located in Carson City with statewide responsibilities. We provide policy and fiscal services to the other eight divisions. There are reductions in the *Executive Budget*.

We have studied the organization of the Director's Office and determined changes could be made to make the office more efficient and economical. One of the recommendations was for better workload alignment and allocation. The net result will be ongoing budget savings beginning in the 2009-2011 biennium. Two positions were eliminated. One position is revenue neutral. Other positions have been reclassified.

The Director's Office is reducing its role in the Western States Water Council. This is an important organization in conjunction with the Western Governors' Association. We have negotiated an associate membership for FY 2010-2011 reducing membership dues from \$30,000 to \$15,000. The change will continue to allow the necessary flow of information, but Nevada will lose voting rights

within the organization. The DCNR is also eliminating conference attendance and all associated travel in FY 2010-2011. The General Fund provides 76 percent of operational revenue with the remainder coming from Q1 funds and cost allocations to other divisions.

The final graph for the Director's Office in [Exhibit H](#) shows the reductions in personnel and operating costs going into the next biennium.

We will next discuss the Nevada Division of Forestry (NDF). Their mission is shown in [Exhibit H](#). The NDF has three regional offices. The headquarters for the western region is in Carson City, the northern regional office is in Reno and the southern regional office is in Las Vegas. There are two dispatch centers, for fires and emergencies, which are located in Minden and Elko. There are two nursery operations in Washoe Valley and Las Vegas. There are three career fire stations in Elko County, 24 volunteer fire stations in Elko and Eureka Counties and an air operations center in Minden with three helicopters. The helicopters are important in quick response to fires and dousing fires early.

The NDF, in cooperation with the Department of Corrections (DOC), operate a conservation camp program. The Silver Springs Camp, housing only female inmates, was closed in 2008. The Tonopah Conservation Camp is scheduled to close on June 30, 2009. Eight conservation camps remain to serve 72 crews for a maximum of 864 individuals on the ground. Not all of the individuals are trained to fight fires. The conservation programs are valuable for Nevada. The crews not only fight fires in Nevada, they often assist firefighting efforts in other states and conduct community projects throughout Nevada.

COCHAIR MATHEWS:

The DOC has indicated its intention to close the Tonopah Conservation Camp. What kind of impact will that have on the NDF?

MR. BIAGGI:

The closure of the Tonopah camp will marginally impact our firefighting abilities, particularly in central Nevada. Some response times will be reduced.

COCHAIR MATHEWS:

If my house is on fire, what does marginal impact mean regarding the response time to my fire?

MR. BIAGGI:

The NDF gives their best effort to respond to fires before they can escalate. Any time there is a delay in response, it creates the potential for expansion of the fire.

COCHAIR MATHEWS:

Was there any coordination between the DOC and the NDF?

MR. BIAGGI:

Basic discussions were held, but the decision was that of the DOC to meet their budget reductions.

The next slide shows the proposed staffing and budget reductions overall. There is an increase reflected in FY 2010-2011 as a result of the expansion of the Three Lakes Valley Conservation Camp.

ASSEMBLYMAN GOICOECHEA:

Why are the increases for the Three Lakes expansion reflected in the NDF budget when it is a program of the DOC?

MR. BIAGGI:

There are costs associated with both budgets for the expansion of the Three Lakes Valley Conservation Camp. The NDF runs the camp programs and the DOC houses the inmates at night.

ASSEMBLYMAN GOICOECHEA:

Does the NDF have impacts associated with both the closing of the Tonopah camp and the expansion of the Three Lakes Valley camp?

MR. BIAGGI:

That is correct.

The next slide provides a breakdown of the sources of the NDF revenues. The General Fund, in both years of the biennium, comprise a substantial portion of the revenues, 49 and 48 percent respectively. The next chart reflects broad categories of the expenditures of those revenues. The largest categories are incident and resource management and direct fire suppression costs.

The *Executive Budget* contains no one-shot appropriation requests for the 2009-2011 biennium. This is a change from past budgets. The State Public Works Board (SPWB) has identified certain health and life safety deferred maintenance related to the Occupational Safety and Health Administration projects that will be conducted. They include emergency egress lights at the Kyle Canyon Fire Station, secondary doors for fire suppression and a propane shed for the Carlin Conservation Camp.

In addition, there is a supplemental appropriation request in FY 2009-2010 concerning the Tonopah Conservation Camp closure for items such as terminal leave payouts and we will have some buyouts.

Next we will discuss key budget issues for budget account (B/A) 101-4195.

DCNR - Forestry – Budget Page DCNR-21 (Volume III)
Budget Account 101-4195

The DCNR budget will eliminate the southern regional forester, reduce funding for volunteer fire department physical exams throughout the State, eliminate a mechanic in Elko, eliminate the statewide mutual aid coordinator and reduce the vehicle fleet by 69 vehicles.

The DCNR staff reviewed the vehicle fleet in detail. To reduce costs to the greatest extent possible and capitalize on reductions in insurance, we will eliminate vehicles not essential to our operations.

ASSEMBLYMAN GRADY:

Will the cost reduction for volunteer fire department physical exams be passed on to the counties?

MR. BIAGGI:

There is a potential for the costs to be passed on to the counties. Many counties are already absorbing those costs. It has been a challenge for the DCNR because, often, there is not a desire by the firemen to seek physical exams.

The next budget for consideration is B/A 101-4198.

DCNR - Forestry Conservation Camps – Budget Page DCNR-40 (Volume III)
Budget Account 101-4198

As has been mentioned, the Tonopah Conservation Camp will be closed at the direction of the DOC. That situation creates the potential for seven position layoffs. The conservation camp fleet will be reduced by 20 vehicles.

There is a potential for additional funding through the proposed stimulus package that may include one-time, short-term funds for programs such as forest health. It is critically important to maintain the NDF infrastructure to utilize those funds. The requirement may be for those funds to be expended in a relatively short amount of time. It will not be available to supplant use of any General Funds.

The closure of the Tonopah Conservation Camp will reduce the emergency response capacity and slow initial wildfire attack response as a result of the geographical location of the facility. It eliminates critical conservation fuel-reduction projects, State maintenance and it may impact some local governments. It increases fire-suppression costs on State-jurisdictional lands.

The DOC camp expansion at Three Lakes Valley will include 94 additional inmates in April 2010, building to 210 inmates by August 2010. The NDF, correspondingly, will have 16 new crew supervisors and 1 new camp supervisor positions. This expansion will take up some of the slack from the closure at Tonopah. As a result of the new crews, program revenue targets will increase.

The NDF nursery program, B/A 257-4235, is critical for land rehabilitation in the event of fires and is also being used through the mining industry in mine rehabilitation.

DCNR - Forestry Nurseries – Budget Page DCNR-58 (Volume III)
Budget Account 257-4235

The DCNR is experiencing revenue shortfalls in this budget due to the economic downturn. There are also financial issues related to repayment of past CIP projects.

Climate changes and the drought are concerns that are negatively impacting Nevada's forests and range lands. There is greater potential for catastrophic wildfires and associated costs.

Proposed Legislation in 2009 for the NDF includes Assembly Bill (A.B.) 75.

ASSEMBLY BILL 75: Requires the State Forester Firewarden to submit annual reports concerning fire prevention and forest health in the Nevada portion of the Lake Tahoe Basin to the Governor, the Legislature, the Nevada Congressional Delegation and the Tahoe Regional Planning Agency. (BDR 47-439)

This bill was a result of the Bi-state Fire Commission established by Governor Jim Gibbons and Governor Arnold Schwarzenegger of California.

Next, A. B. 78 places provisions governing the camp program.

ASSEMBLY BILL 78: Requires the State Forester Firewarden to establish and carry out a program for operating conservation camps. (BDR 16-358)

There has not been specific statutory authority to operate the camp program. Another bill related to the Angora Fire and the Bi-state Fire Commission is Senate Bill (S.B.) 94.

SENATE BILL 94: Imposes various requirements relating to fire protection in the area of the Lake Tahoe Basin located in this State. (BDR 42-444)

This bill provides for uniform defensible space guidelines within the Tahoe Basin.

I will now discuss the Nevada Division of State Parks.

The mission is found in Exhibit H. The division headquarters is located in Carson City. We will eliminate the western Nevada (Carson City) and eastern Nevada (Panaca) offices. Two regional offices will remain; the central and northern Nevada office in Fallon and the southern Nevada office in Las Vegas.

There are 25 State parks and 2 management units. In the next biennium, ten sites will be operated seasonally and two will be temporarily closed.

Staffing has been reduced for the next biennium in both FTE and seasonal positions. The Governor's recommended budget includes an overall reduction in funding.

Approximately 50 percent of the State Parks revenues are derived from the General Fund and the remainder is from fees, marina gas tax and transfers.

The next slide reflects the breakdown of budget reductions. There is a substantial reduction in operations, personnel and equipment.

Administrative costs are being reduced by elimination of two regional management units, placing supervision of the 25 State parks under two regions in the north and the south. Page 25 of Exhibit H lists the State parks that will be operated on a seasonal basis. We have carefully reviewed our operations and visitation counts and believe it is best to at least keep all the parks open by reducing the times of operation.

Page 26 of [Exhibit H](#) indicates the Elgin Schoolhouse State Historic Site and Walker Lake State Park will be temporarily closed. The Elgin Schoolhouse has limited access as a result of a washout on State Route 317 and Walker Lake. Because of declining water levels, there is a boat ramp that is no longer in the water.

We will also eliminate the seasonal invasive weed program in the Panaca region, leaving only programs in the northern and southern regions. It is hoped that will be a temporary situation.

The State Parks Division will eliminate 13 FTE positions and the funding for 22 seasonal months. We are eliminating almost \$1.5 million in deferred maintenance projects. There is a requested enhancement for health and life safety equipment totaling \$107,274. This includes items such as rescue boards at Sand Harbor, replacement of aged vehicles in the law-enforcement fleet, and a much-needed snowblower at Wildhorse State Park.

ASSEMBLYMAN DENIS:

With the reduced hours and closure of State parks, has anyone considered the economic impact to surrounding areas?

MR. BIAGGI:

There is a direct impact to the communities surrounding these parks. When a park is open, it brings visitors and tourists and creates spinoff revenue and jobs. We carefully reviewed the seasonal closures to reduce, to the greatest extent possible, those collateral impacts by closing the parks when visitation is at its lowest.

ASSEMBLYMAN DENIS:

Has the State Parks Division communicated with local chambers of commerce to see what the impact may be?

MR. BIAGGI:

We have not formally communicated with those communities. We track our visitor numbers and have conducted studies through the University of Nevada in Reno concerning the benefits and community impacts of State parks. We have not consulted with the chambers of commerce or the communities.

ASSEMBLYMAN DENIS:

That interaction needs to be a part of the budget process from which the Legislature will make informed decisions.

MR. BIAGGI:

I understand. We will pursue that interaction.

COCHAIR MATHEWS:

Is it still possible to have recreational boating at Walker Lake?

MR. BIAGGI:

Absolutely, there are many recreational opportunities. The boat ramp is out of the water and is not safe for boat launching.

COCHAIR MATHEWS:

If the \$1.4 million for deferred maintenance is not completed, will the State ultimately have another Clear Creek Youth Center situation?

MR. BIAGGI:

The State has a large investment in the infrastructure at various State parks. They require maintenance over time. The DCNR hopes this is a temporary situation and we can get back on schedule as economic conditions improve.

ASSEMBLYWOMAN SMITH:

It seems the DCNR is one of the budgets that has a large reduction in its vehicle fleet. Several new vehicles were purchased in the 2007-2009 biennium. What happens to the eliminated vehicles and what is the cost benefit?

MR. BIAGGI:

The cost benefit for the DCNR is the savings of insurance costs. Many of the vehicles are aged with 200,000 or 300,000 or more miles on them. Many of the NDF vehicles are also located at volunteer fire departments where they are being used for parts and salvage. These actions are appropriate and clean up our fleet. The vehicles will be provided to the State Purchasing Division and surplus in accordance with State law.

ASSEMBLYWOMAN SMITH:

Will the vehicles need to be replaced when the economic downturn improves? Will some simply be parked for future use?

MR. BIAGGI:

These were primarily surplus vehicles that were not being used. The DCNR did not remove any vehicles out of the fleet currently in service. As you indicated, the DCNR was fortunate to receive several new vehicles in the current biennium for its fleet and we are surplus older vehicles from the fleet.

ASSEMBLYWOMAN SMITH:

Why have we not done that in the past? Maybe that is an area we need to consider across the budget.

MR. BIAGGI:

One reason some of the vehicles have remained in the fleet was to utilize them for parts needed on other vehicles. We will try to maintain with the part supply on hand.

Other concerns of the Division of State Parks are the reductions in the Land and Water Conservation Fund and the Recreational Trails Program. These have been important programs. They assist in maintenance of the State Parks Program and acquisition of new lands and new facilities. There may be additional funding to support these two programs in the proposed stimulus package.

KAY SCHERER (Deputy Director, Department of Conservation and Natural Resources):

Mr. Dave Morrow, Administrator, Division of State Parks, reviewed the proposed stimulus package late yesterday. There appear to be no allocations for these two programs. It seems to be primarily focused on the federal park system.

MR. BIAGGI:

We are investigating financial assistance from the Bureau of Reclamation for operation of the Rye Patch Reservoir and the Lahontan State Park. These State parks are on Bureau of Reclamation lands, and in these tight budget times we are investigating all options. Always of concern is the maintenance of the parks' facilities. Replacement of worn equipment is a critical concern.

COCHAIR MATHEWS:

I have spent time at Lahontan and Rye Patch reservoirs and they already appear to be in a rough state of repair. I pass the entrance huts and there is typically no one staffing it to collect the fees that consumers must pay.

MR. BIAGGI:

I agree. One of the concerns we have is to receive all possible revenues. The entrance booths should be staffed to receive the money.

COCHAIR MATHEWS:

I did not see staff in the booths even in the good budget years.

MR. BIAGGI:

In the past, we have established mechanical means for payment and those are vandalized. It ultimately costs the Division more than the revenue generated.

I will now review the Division of Water Resources budget. The Water Resources Division has a headquarters office in Carson City and branch offices in Las Vegas, Elko and Winnemucca. There are substantial staffing reductions proposed in the next biennium. The budget reductions for this Division are located on page 30 of [Exhibit H](#). Approximately 91 percent of the Water Resources Division budget comes from the General Fund. Page 32 shows the breakdown of budget reductions. Because the budget is so heavily related to personnel, we have no choice but to make necessary budget reductions in personnel resources. We will eliminate 11.4 positions and reduce the number of staff in General Fund positions from 73.5 to 62.1, representing a 15.5-percent reduction. Staff reductions will ultimately eliminate the Water Planning section and reduce the number of working staff on water rights ownerships by 40 percent. This will impact the Division's ability to issue water rights permits in a timely fashion. Three engineering positions will be eliminated.

ASSEMBLYMAN GRADY:

Because water rights are an important issue, and with the elimination of positions, will that put Nevada further behind in water issues?

MR. BIAGGI:

I believe you are referring to the backlog issue. The Water Resources Division has a good track record in reduction of the backlog by as much as 50 percent. The improvement is primarily due to additional positions received from the Legislature over the past two biennia. Unfortunately, these reductions will take many of those staff away. The backlog will likely begin to increase again.

Secondly, the question goes to development and issuance of water rights when development occurs. The good news is not much development is occurring at the present time. We need to be sensitive to the backlog as the economy

improves and modify staff resources to approve the water rights applications, allowing development to move forward.

ASSEMBLYWOMAN LESLIE:

I cannot believe you are requesting the elimination of the Water Planning Section, a section so essential the Legislature and the agency have spent the last four years trying to build the section up to address Nevada's needs. What impact will this have on the water graph?

MR. BIAGGI:

I will first address the water planning program. The Committee may recall the water planning program was eliminated several years ago. It was reinstated through legislation introduced by Former Senator Dina Titus in the 73rd Legislative Session. However, funding was never brought forward for the Water Planning Section.

ASSEMBLYWOMAN LESLIE:

Please explain the difference between a water planning program and the Water Planning Section. The reference in [Exhibit H](#) concerns the Water Planning Section.

JASON KING (Deputy Administrator, Division of Water Resources, Department of Conservation and Natural Resources):

Mr. Biaggi is correct. A position of water planning chief is allocated in chapter 540 of the NRS. That particular position was never funded despite being placed into statute. Around the turn of the century, there was a Division of Water Planning which was absorbed into the Division of Water Resources and the Division of Environmental Protection. There are still a few positions remaining within the Nevada Division of Environmental Protection (NDEP). There are two positions within the Division of Water Resources that are proposed for elimination. However, the other deputy state engineer is working in a capacity of a water planner. He reviews and comments on the water and conservation plans submitted to our Division as required in statute.

ASSEMBLYWOMAN LESLIE:

Please provide the Committee with a written report of the history of water planning and a chart of the duties of the positions that are proposed for elimination. I want a better understanding of the issue. What will be the impact of the loss of positions?

MR. BIAGGI:

My interpretation is that the Water Planning Section does not have a role to play in the decision of the state engineer with regard to the exportation projects out of White Pine and Lincoln Counties. Mr. King can elaborate further.

MR. KING:

I concur with Mr. Biaggi. The Water Planning Section has a purpose in terms of reviewing reports and establishing data. They do not have authority to approve or deny water rights decisions.

ASSEMBLYWOMAN LESLIE:

I need a better understanding of the 11.4 positions proposed for elimination; what the positions are, what their duties are and how their duties will be

performed in the future. The Division of State Parks was bad enough, but this is not a good idea.

MR. BIAGGI:

We will provide the requested information.

The Division will eliminate three engineering positions which reduces the number of water rights applications being acted upon, affects the number of low-hazard dams being inspected and will delay response to the public. Three clerical positions will also be eliminated representing a 19-percent reduction in the clerical workforce.

The Governor's recommendations include \$147,600 in FY 2009-2010 and \$24,000 in FY 2010-2011 for repair, maintenance and inspection of the South Fork Dam in Elko County. This dam is owned by the State of Nevada.

As directed in S.B. No. 274 of the 74th Legislative Session, I am pleased to report the Division of Water Resources adopted regulations providing fines and penalties for violations of Nevada's water laws. For the first time, the Division has penalties to address instances of excess water pumpage. It remains to be seen whether we will have the resources to enforce the regulations. It is a step forward that the Division has the statutory authority and the regulations adopted to initiate the enforcement.

During the past five years, strides have been made to reduce the backlog of applications and title work. As a result of budget reductions, the backlog will remain the same or more than likely increase.

Water is ever more contentious in Nevada. The Division is conducting an increasing number of hearings to resolve water rights applications adding duties for our hearing officers and technical staff.

Our website is excellent, linking permits, certificates, well logs and maps together. It has been helpful to the public in their research of water rights without having to make a trip to Carson City. The reductions and elimination of one information technology (IT) staff in the next biennium will slow the development of the website.

SENATOR RHOADS:

Is there any incentive in Nevada water law that awards a farmer or rancher, allowing them to cultivate additional acreage, if they have saved water? Many farmers changed from flood irrigation to the pivot sprinkler system to conserve water. Utah has an incentive law.

MR. BIAGGI:

We do not have an incentive law. Unfortunately, water rights are issued for a certain amount of water for a specific use. Many times the permit specifies the number of acres allowed.

SENATOR RHOADS:

Winnemucca Farms is one of the largest crop farms in the West. It has probably saved 50 percent of the water they originally pumped, yet they are not entitled to cultivate more acreage.

MR. BIAGGI:
I understand.

COCHAIR MATHEWS:
Is the function of counting the bald eagles, particularly in southern Nevada, a function of the DCNR?

MR. BIAGGI:
No, that is a function of the NDOW.

I will now provide an overview of the NDEP. There are two offices located in Carson City and Las Vegas. Approximately 1 percent of the NDEP budget is drawn from the General Fund. The remainder comes from fees, federal grants and other sources. There are a number of bureaus within this Division concerning administrative services, air quality, water quality and land quality.

The NDEP staffing is proposed to increase by one FTE in the mining program. The position funding will derive exclusively from program fees of the mining industry.

The budget reductions in this budget occurring in FY 2009-2010 are a result of a large four-year contract initiated in this biennium addressing cleanup issues at the Basic Management Incorporated site in Las Vegas and the environmental mitigation and restoration contract. The graph on page 39 of [Exhibit H](#) shows the expenditures of the NDEP.

Key budget points for the NDEP address non-General Fund enhancements including the one new position I mentioned earlier. There are also requests for routine replacement of aging equipment, including computers and air quality monitors, and additional contract services for various technical issues specific to programs.

There are General Fund reductions in the Safe Drinking Water program resulting in reduced inspections of public water supplies. Reductions in the Water Quality Planning program will result in delays in updating water quality standards for the State's water quality standards update.

ASSEMBLYWOMAN LESLIE:
Are the duties of the new position in the mining program for mercury inspection or other duties?

MR. BIAGGI:
The position is expected to be an overall position for the Bureau of Mining Reclamation and Regulation. Mr. Drozdoff, is it specific to either program or general?

LEO DROZDOFF (Administrator, Division of Environmental Protection, Department of Conservation and Natural Resources):
The position is for general inspections permitting for the entire bureau.

MR. BIAGGI:
The position is funded by fees assessed to the mining industry.

ASSEMBLYWOMAN LESLIE:

A couple of positions were added during the last Legislative Session for mercury inspections. Are they able to stay up to date on inspections?

MR. BIAGGI:

We are continuing to improve and advance the program. The inspectors are keeping up with the workload.

Additional program issues of the NDEP include reduced revenues in some programs due to reductions in fees caused by the economic downturn. Fortunately the NDEP planned for the future with reserves in place that will carry them over. The federal proposed stimulus package is expected to yield substantial additional one-time funding for State revolving loan funds in the clean water, waste water and drinking water programs. In my review of the proposed stimulus package, unless there are changes I am not familiar with, there will be potential increases in the federal EPA Superfund program and the federal Leaking Underground Storage Tank program.

Climate change issues continue to require staff and management resources. We are watching federal climate change legislation and carbon monoxide control under the new administration.

There is a Legislative agenda for the 2009 Legislature. Senate Bill 37 establishes authority to award sub grants in the Drinking Water Program.

SENATE BILL 37: Authorizes the award of subgrants for certain purposes relating to the control of water pollution. (BDR 40-360)

This bill would help streamline the grants to the recipients within our State.

Another bill, S.B. 105, is being sponsored by the Public Lands Committee.

SENATE BILL 105: Revises the provisions governing the matching funds required for grants made by the Board for Financing Water Projects (BDR 30-502)

It gives the Board more flexibility to determine grant amounts and allows the Division to grant more funds to communities of this State.

The next budget overview is that of the Division of State Lands.

The State Lands staffing will be reduced in the coming biennium. The budget reductions are shown on page 43 of Exhibit H. The Division is based in Carson City with statewide responsibilities, including the State Land Office, which manages State lands within Nevada with the exception of Higher Education and the Legislature.

The Division consists of a State Land Use Planning component, the Nevada/Tahoe Resource Team and, as discussed earlier, the Q1 bonding program.

The majority of the State Lands budget is drawn from General Funds comprising 63 percent of the total budget. The largest expenditures are personnel costs.

Key budget points include the reduction of a land use planner position which will decrease the number of positions by 50 percent and will impact services to rural counties and local governments.

A land agent II position will be eliminated resulting in a 20-percent reduction in that staff. This will create a larger backlog and delays in processing land authorizations and actions such as easements and transfers.

A seasonal forester position is being moved from the General Fund to the Tahoe Bond Interest Fund. The position addresses forest health issues of State-owned lands at Lake Tahoe for State Parks.

I have been requested to provide an overview concerning the Environmental Improvement Plan (EIP). These are primarily water-related grants at Lake Tahoe. The State is responsible for 126 projects under the first phase of the Lake Tahoe EIP. We are making steady progress with 76 completed projects, 33 are ongoing and another 20 will be initiated in the 2009-2011 biennium.

There is a proposal to move A.B. 18 through the Committee for the oversight of the Tahoe Regional Planning Agency and the Marlette Lake Water System, chaired by Assemblywoman Peggy Pierce.

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

To continue the good work of the EIP, A.B. 18 would allocate \$100 million in bond funds over the next ten years.

There have been a number of water quality control projects initiated with 51 of 66 projects completed by the NDOT and local agencies. Forest and fuel reduction efforts have been very successful. Approximately 1,600 acres of State Parks land have been treated at Lake Tahoe and there is an initiative to use much of the biomass removed at Lake Tahoe for use in the cogeneration facility operated by the DOC in Carson City. One project provided 1,445 tons of biomass to fire the facility. There is also potential for the proposed stimulus package funds allocated to the Tahoe EIP which is being brought forward by U.S. Senator Dianne Feinstein of California.

The Division of Conservation Districts is a small program for which staffing will be reduced at conservation districts by 0.5 FTE in the next biennium with associated budget reductions.

Key budget points for this Division include the reduction of the administrative assistant to 0.5 FTE, and we will reduce the grants to the 28 conservation districts from \$5,000 to \$4,200.

Page 52 of Exhibit H shows the revenues and expenditure allocations for this program. The Division is 91-percent funded through General Fund appropriations.

The next budget is the Natural Heritage program. The program has statewide responsibilities. It is funded by a complex fund map. Staff will be reduced during the next biennium. An environmental scientist III position will be eliminated that

has been responsible for prioritizing the State's wetlands. Those duties have been assigned to other personnel within the program.

A new climate change project has been initiated in cooperation with the NDOW and others, funded with Q1 bond funds. The Natural Heritage program will be responsible for development of the species climate index and updating biological information to produce a new chapter to the State Wildlife Action Plan.

The Governor's recommended budget is shown on page 54 of [Exhibit H](#).

The program is only funded 14 percent in FY 2009-2010 and 17 percent in FY 2010-2011 by the General Fund. The majority of their funding comes from other sources. The graph, on page 56 of [Exhibit H](#), shows the primary budget reductions occurred in personnel costs.

The final program for the DCNR is the Commission for the Preservation of Wild Horses. Ms. Catherine Barcomb is the Administrator and the lone staff person in this program. The program has historically been funded by the Heil Trust which is expected to be exhausted by the end of FY 2009-2010.

The Mustang Heritage Foundation has been established through Legislative action to assume the good work of the wild horse program. A Legislative feasibility study was conducted in 1999 to establish the Foundation in recognition of the ultimate exhaustion of the Heil Trust funds. In 2001, the Legislature authorized \$400,000, in association with the BLM to establish the Foundation.

The Foundation has done great work. It is a viable program that has achieved nationwide recognition for the adoption of wild horses and burros. The program is slated to end in FY 2010-2011 within the Governor's recommended budget.

I have also provided the Committee with a brochure titled, "Nevada, A Land of Magnificent Natural Resources" ([Exhibit I](#), original is on file in the Research Library).

COCHAIR MATHEWS:

The Tahoe Regional Planning Agency (TRPA) is also present to make their presentation.

JOHN SINGLAUB (Executive Director, Tahoe Regional Planning Agency):

I will briefly review the mission of the TRPA and proposed budget reductions in Nevada and California and provide a summary of the impacts on the Agency. I have provided the Committee with a packet of our PowerPoint presentation, ([Exhibit J](#)).

We are not a Nevada State agency. We are a bi-state compact agency. The TRPA was created nearly 40 years ago by the States of Nevada and California. Major changes were made to the rules in 1980 adding the regulation of development to the mission which is normally a part of the responsibilities of local jurisdictions. The purpose is to achieve the environmental standards established at Lake Tahoe.

Our mission includes the EIP, an attempt to fix the problems of the past and is funded by the states, the federal government, local governments and the private sector. It also includes forest fuel reductions and support to the fire districts and states.

The second goal is project review and permitting. It is similar to local jurisdictions. There is a regional planning component and a pathway process in conjunction with the states and the U.S. Forest Service on a common plan for the future and to evaluate our progress in meeting environmental thresholds.

The last goal is to provide excellent business practices and public service.

The TRPA has, over several years, compiled a regional plan update of the 1987 regional plan approved after considerable litigation. We have worked with the U.S. Forest Service, the Lahontan Water Quality Control Board, and the NDEP on a common future with common elements of regulation. The TRPA will integrate the total maximum daily load established by the Lahontan Water Quality Control Board and the NDEP within the Lake Tahoe basin. The intent of the regional plan is to reduce sediment and nutrient loads going into Lake Tahoe.

The TRPA budget is derived from multiple sources. Approximately one-half of the total budget comes from the states of Nevada and California. The formula was established in law to be one-third from Nevada and two-thirds from California. In addition, there are a number of grants and application fees to cover the costs of permitting. The total Agency budget in FY 2008-2009 is \$11.7 million. The portion provided by Nevada is slightly less than 15 percent. The 15 percent is important because it not only leverages the two-thirds match from California, but it allows the Agency leverage to acquire grants from the federal government and other sources.

Budget reductions in the 2007-2009 biennium for the Nevada share are approximately 6 percent. Other revenue reductions are occurring in application fees and interest rates are lower.

In the 2009-2011 biennium, the Governor's recommended budget will be reduced by approximately 41 percent or \$1.5 million. The split between Nevada and California would ultimately be one-quarter to three-quarters respectively. The reductions have already caused the elimination of 11 staff positions; 3 were voluntary separations and the remainder resulted in layoffs. We have closed the North Shore office that served the Placer County, California and Washoe County, Nevada areas. We have initiated work furloughs one day each month. All salaries, hiring, training and travel have been frozen. We have reduced a number of other operational expenses. There are 80 remaining staff positions.

During the 2009-2011 biennium, the same staffing and freezes will continue. If projections are accurate, there should be no further layoffs. We are anticipating an increase of 20 percent in employee health benefit costs. The overall impacts to morale are difficult to measure.

The Agency anticipates delays in project deliveries, including EIP projects and other public infrastructure projects as a result of budget reductions. We expect

a delay in completion of the regional plan update. The funding for the regional plan was specifically removed from the budget. Many Bi-state Fire Commission recommendations will not be implemented. Public service recommendations such as maintenance of a database, public education and others will not be fulfilled.

ASSEMBLYWOMAN LESLIE:

What will California have to say when the Nevada budget for the TRPA is reduced by \$211,000?

MR. SINGLAUB:

The California budget structure is somewhat different. However, California is also experiencing budget issues. All California funding for the TRPA is derived from their environmental license plate fund. I anticipate additional competition for those funds, but so far indications appear the baseline budget may be retained.

ASSEMBLYWOMAN LESLIE:

How will that appear politically when Nevada does not pay their one-third portion?

MR. SINGLAUB:

The law specifies the TRPA is to request one-third from Nevada and two-thirds from California. It does not guarantee that funding ratio. Each year there are differences. I agree that it is a political consideration.

ASSEMBLYWOMAN LESLIE:

I would hate to put the work of the TRPA in jeopardy for \$211,000.

MR. SINGLAUB:

The reduction of \$211,000 was for FY 2008-2009. The reductions in revenues will be approximately \$1.5 million over the biennium, \$750,000 each year in addition to the \$211,000.

ASSEMBLYWOMAN LESLIE:

As Chair of the TRPA Board, I would like to hear Mr. Biaggi's opinion of the reductions.

MR. BIAGGI:

Mr. Singlaub has clearly defined the implications. The budget reductions will severely impact the activities of the TRPA. California's budget situation is even more serious than that in Nevada. The Nevada members will work with the Legislature and, hopefully, the California members will do the same.

CHAIR ARBERRY:

We will now open the hearing for the DETR.

HUMAN SERVICES

EMPLOYMENT, TRAINING AND REHABILITATION

LARRY MOSLEY (Director, Department of Employment, Training and Rehabilitation):

We will provide an overview of the DETR budget titled, "DETR, A Proactive Workforce and Rehabilitation Agency, Budget Overview 2010-2011" in [Exhibit K](#), (original is on file in the Research Library). In addition, we would like to address the State's economic and employment challenges and our proactive responses to the challenges.

During an economic downturn, the DETR is the first source of support for the unemployed. The DETR is the agency charged with development of Nevada's workforce; paying unemployment benefits to those who find themselves unemployed through no fault of their own; providing Nevada's businesses with access to a qualified workforce; central services for people with disabilities; economic research and analysis; and ensuring equal employment and housing opportunities.

The centralized administrative services section of the Director's office has 78.5 FTEs consisting of human resources, financial management, research and analysis which provides the State and the country with economic statistics related to the labor market and workforce; and operations management.

The first division is Employment Security with 423 FTEs and 218 intermittent employees. This division supports the unemployment insurance (UI) program, numerous federally-funded employment service programs and the career enhancement program funded by Nevada employers.

The Rehabilitation Division has 248 FTEs. Their primary emphasis is the provision of essential services necessary to assist individuals with disabilities to work independently and provide services to those unable to work.

The Information Development and Processing Division has 50 FTEs that enhance and support the value-added technology solutions that service the DETR's programs.

The Nevada Equal Rights Commission (NERC) has 20 FTEs. It is responsible for the investigation and resolution of charges alleging unlawful discrimination in the workplace, housing and public accommodations. We are finding, during the economic crisis, there is massive discrimination in the workplace and housing.

I have heard other testimony likening the economic crisis to the "Perfect Storm." The December 2008 unemployment rate rose to 9.1 percent from 8.1 percent in November 2008. This is the first time since September 1983 the unemployment rate has risen above 9 percent. The December increase is the largest single-month increase on record. Several other states also experienced a 1 percentage point growth in the unemployment rate in December. The 9.1 percent unemployment rate translates into an unemployment count of 128,100 individuals. The impact is felt in their abilities to feed, clothe, house and provide health care to their families. I am sure most of the Committee members have read about the suicide in Clark County. I am sure you have seen the news where a father and mother took their lives and the lives of their five children.

One of my passions is working for a nonprofit organization in Las Vegas that mentors young children. This past Saturday, a young man came to us and informed us his parents had been laid off and they no longer had electricity.

Three forces have brought about our current economic difficulties; problems in the housing market, a stalled credit market, and cautious consumer spending. There were 36,414 initial claims filed for UI benefits in December 2008. The initial claim volume rose by 114 percent from 1 year ago. There were 303,560 continuing claims for UI benefits in December making benefit payments the highest level ever recorded.

The UI Trust Fund has been directly impacted over a five-month period. For the one-year period ending November 2008, payments were \$521.5 million. The UI fund protections issued in October 2008 at the Employment Security Council meeting expected an ending balance of \$416.9 million for 2009 and an ending balance of \$142.1 million in 2010. However, extraordinary claim volumes and benefit payments, coupled with reduced tax collections, is resulting in a substantial decline in the trust fund balance. As a Department, we are taking a number of proactive steps to meet these challenges. These will be detailed further today and in the upcoming budget hearings. Ms. Cindy Jones will provide an overview of some of the measures. Part of the overall challenge is the wait times experienced by customers for our services. These have risen from 30 minutes to well over 3 hours in some areas.

CINDY JONES (Acting Deputy Director and Administrator, Division of Employment Security, Department of Employment, Training and Rehabilitation):

The economic turmoil in the nation and in Nevada is great. The CNN issued a report calling this past Monday "Bloody Monday" when 71,000 more job cuts were announced across national corporations. All states experienced a rise in unemployment in December 2008. Nevada was one of eight states that realized an increase of 1 percent or more. Nevada's UI program, coupled with the State's rapid workforce growth in recent years, is facing the highest workload ever experienced in the program's 75-year history.

Over a 5-year period from 2002 to 2006, Nevada was fortunate as it experienced unemployment rates lower than the national average. The December 2008 reading ranked Nevada as fifth highest in the nation. The program is currently paying benefits to approximately 78,000 unemployed workers each week. The demand for benefits, as in other states, continues to outstrip capacity. The DETR is adjusting as quickly as possible, within available resources, to address the demand.

Further, the administration of two federal emergency compensation programs and the inevitable triggering of the State extended-benefit program further exacerbate the UI workload. Unfortunately, the situation is not projected to improve any time soon. While other states are experiencing system failures, the DETR, in partnership with the DoIT, is constantly monitoring the UI benefits, UI tax systems and making adjustments to ensure our systems remain fully operational. This is not an easy task given our technology is 30 years old.

Pages 6 through 19 of [Exhibit K](#) provide information in a variety of formats of issues being faced and the measures being implemented to address the workload. Last fall, the DETR began receiving reports that substantial layoffs

were being contemplated across a variety of industries. In response, the DETR formed a UI contingency workgroup to proactively develop plans to address the expanding workload. The team is comprised of staff members; leadership; executives from business; labor; community-based organizations and Executive Branch management agency staff. Out-of-the-box ideas to deal with the situation were gathered, evaluated and numerous minor to major program improvements were implemented. In accordance with the contingency plan, the DETR has requested nearly \$8 million in non-General Fund budget augmentations to facilitate service delivery in the UI program and the Nevada JobConnect System.

Work programs were approved allowing the Department to add 71 positions to the UI Program. The Department has submitted additional work programs that will further augment staff by 15 positions. These positions process claims, conduct adjudication appeals, oversee program integrity and provide services at the Nevada JobConnect offices. The work programs include staff equipment, key technology upgrades for the call centers and telephone system capacity expansion.

In response to the astounding rise experienced in December 2008, the UI rate projections have been recast and the Department is preparing a request for 70 additional positions. The request is being made to address the continued projection of workload increases, based upon the recast anticipated unemployment rate as depicted on page 11 of [Exhibit K](#).

The DETR has undertaken a number of other initiatives to address the workload. Call center staffing levels have been doubled through filling the intermittent positions already in place and those approved in work programs. The Department has authorized substantial amounts of overtime for existing staff. Over 30,000 hours of overtime have been worked by the Employment Security Division staff during the current fiscal year. Beginning this coming weekend, the call centers will be open to the public to accept claims on Saturdays. The volume of claims filed via the Internet has increased to 48 percent; therefore, a new Internet claims and customer center is being created and will be operational within 30 days.

Additional telephone and data-line capacity is being added. Separate telephone numbers are being established for weekly claims certification, pin resets and other special circumstances. As an emergency measure, to counteract the telephone system capacity issues, staff is being hired to work a cellular telephone bank to provide general UI information, collect the potential claimant's name and telephone number with the intent that the examination staff will return the calls during nonpeak hours to finish the claim filing process.

Through the proposed stimulus package, it is expected that all states will receive an increase in administrative funding which will support continued staff expansions. All the measures mentioned have been implemented to reduce wait times for citizens seeking UI claims and to pay all benefits due as quickly as possible.

Projections for the Unemployment Insurance Trust Fund balance are calculated each fall and presented to the Employment Security Council for the purpose of tax-rate establishment for the upcoming calendar year (CY).

ASSEMBLYWOMAN SMITH:

I would like to state my appreciation for the responsiveness of your Agency when I voice constituent concerns.

Has the Agency received many complaints on issues over the debit-card procedure? I approve of the idea that claimants do not need to wait for checks to be mailed. However, I have received complaints over the restrictions with the amounts and methods of access using the debit cards. It appears if the claimant is not a Wells Fargo Bank customer, problems are experienced.

Ms. JONES:

The problem with the UI debit card program is largely an educational process. Withdrawals using an Automated Teller Machine (ATM) can be made at any institution bearing the Visa logo twice monthly at no charge and at any bank without a charge. The problems appear to occur when claimants confuse the debit card with a credit card and do not understand they cannot make charges to the card that exceed the benefit amounts that have been loaded onto the card. The program has been highly successful with 94 percent of all benefits paid using the debit-card process. If a customer experiences difficulty in use of the card, they have the right to opt out and request a check be issued instead.

ASSEMBLYWOMAN SMITH:

I have received complaints from constituents that some bank staff are unclear about how the cards can be used or that they will not give information concerning the remaining balance on the card. The customer then, has to go to the ATM machine to inquire what the remaining balance is and thus is charged a 25- or 50-cent charge for the card inquiry. Perhaps we can meet and discuss options.

Ms. JONES:

The projections for the Trust Fund made in the fall of 2008 were previously discussed by Director Mosley. The Trust Fund balance was expected to exceed \$400 million and have a balance of \$142 million at the end of CY 2010.

The taxing philosophy for the UI benefit program is one that is countercyclical in nature. Reserves are built during times of economic prosperity to weather economic downturns. National studies show Nevada's Trust Fund solvency was better situated than a majority of states in October. The December 2008 ranking showed the Nevada UI Trust Fund is the 19th strongest in the country. However, the current economic crisis is unprecedented in nature and has defied all projections. The benefit drain on the Trust Fund is occurring at an increasingly rapid rate. The issue is compounded by reductions in tax collections due to decreasing payrolls. The inevitable triggering of the State extended benefit program will also impact the Trust Fund as those benefits are funded 50 percent by State Trust Funds and 50 percent by the federal Trust Fund.

In conjunction with recasting the unemployment rate, the UI Trust Fund balance was also recast. Unfortunately, Nevada finds itself among numerous states that may need to borrow from the federal government to meet the benefit payment load. Five states have borrowed funds thus far and another state began borrowing today. To date, \$1.8 billion has been borrowed to meet benefit payment needs. Revised projections indicate the State Trust Fund may be depleted by the end of CY 2009. At the projected expenditure rates, the Trust

Fund could realize a deficit of approximately \$750 million by the end of 2010. The projections assume the December unemployment rate results are an indicator of further economic deterioration unless measures are taken to improve job availability.

The Department is taking proactive steps to improve the Trust Fund outlook by strongly advocating for stimulus proposals that would result in Reed Act distributions to the states that can be used to support benefits. The division and the Department will apply for funds through the proposed stimulus package that may allow for system improvements that prevent and detect unemployment insurance fraud.

The Department submitted a bill draft request which is now A.B. 84 that seeks to discourage and add additional penalties for unemployment insurance fraud.

ASSEMBLY BILL 84: Revises provisions governing unemployment compensation. (BDR 53-546)

A request has been included in the *Executive Budget* that makes the reemployment services program permanent. The program seeks to facilitate UI benefit recipients return to work more quickly by engaging them in employment and training services. By assisting unemployed workers to return to work more quickly, the Trust Fund is expected to realize in excess of \$3 million in savings each year of the biennium.

Further, the proposed stimulus package contains provisions that, if approved, will fund new programs that seek to engage benefit recipients with employment and training services in an effort to reduce unemployment rates and Trust Fund impacts.

The DETR proposes to delay the UI modification and business transformation project. The delay of the \$33 million project will leave approximately \$22 million in Reed Act funds in the Trust Fund over the coming biennium for use in benefit payments. Delay of the project will also free departmental IT and program staff resources to focus their attention on the crisis at hand rather than the system's replacement effort. At this time I will defer to Mr. Ardeall Galbreth to discuss the DETR's workforce investment strategies.

ARDELL GALBRETH (Deputy Director, Department of Employment Training and Rehabilitation):

Approximately this time last year, Nevada was bracing for a large influx of employment demands. They ranged from the mining industry to mega-resort properties, particularly in southern Nevada. Approximately 145,000 people were being sought for employment over an 18-month period. All of that abruptly changed in the second half of 2008.

As the economy began its downturn, our workforce needs became more apparent for a system transformation. Because of the proactive planning initiative, the stage was set to lay a framework for our workforce needs during an economic recovery period. It will provide workforce development support and training services to prepare job seekers for 21st Century workforce requirements.

Recognizing unprecedented economic changes, Team Nevada was initially formed to address the significant staffing needs for workforce shortages. After continual planning, the Team was developed to be flexible and responsible to workforce needs. Team Nevada consists of executive-level businessmen and businesswomen throughout the State such as major corporation vice presidents, chief executive officers, heads of educational institutions, and state and local government senior-level directors.

The focus is to meet the workforce needs during these trying times. To do so, some of the goals are: building and maintaining a 21st Century workforce development system, educating the business community about the value of Nevada's public workforce development system, establishing local business partnerships and others listed on page 19 of [Exhibit K](#).

With the proposed stimulus package funding, Nevada will be in a position to focus on identifying renewable and green-energy businesses and establishing friendly workforce settings matching human capital skills. Those include ex-offenders who are released from incarceration. Although not yet confirmed, we anticipate the proposed stimulus funds to provide supplemental support to Nevada's adult, dislocated workers and youth employment and training programs.

The DETR has initiated proactive partnerships with other State agencies to collaborate and leverage resources. We are in the process of aligning Nevada's two Workforce Investment Boards with the Governor's Workforce Investment Board by establishing a unified strategic plan that answers the future needs of our workforce.

MR. MOSLEY:

If there are no questions on our testimony, I will request Ms. Renée Olson to provide the budget overview.

RENÉE OLSON (Chief Financial Officer, Director's Office, Department of Employment, Training and Rehabilitation):

I will provide a brief statement of the Department's approach to the budgeting process for this biennium, describe the overall funding of the DETR and highlight certain budget items.

In general, the DETR took a conservative approach to our budgeting requests. We considered the health of the General Fund and the overall condition of the economy. However, many months ago when the budget process began, the economic world, as we knew it, was no longer in existence.

It is the DETR's hope the budget will reflect maximization of resources, minimize waste and serve all Nevadans. On page 37 of [Exhibit K](#) is a chart illustrating the breakout of the DETR funding sources. Approximately 62 percent of the funding is derived from federal sources. Approximately 11 percent of the federal sources are dependent on State matching funds. The General Fund is the most significant source of that match. The remainder of funding is derived from set-aside funds of the Blind Business Enterprise program, penalties and interest from the Employment Security Division Special Fund and employer contributions to the Career Enhancement program.

Historically, General Funds have comprised approximately 4 percent of the total Department funding. During FY 2009-2010 and FY 2010-2011, General Funds will be approximately 3 percent of the total budget.

Page 36 of [Exhibit K](#) indicates the amount of General Funds available to the DETR has decreased by almost \$2.1 million. This represents approximately an 18-percent reduction from the prior biennium.

The accounts funded by the General Fund include the NERC, the Bureau of Vocational Rehabilitation, and the Bureau of Services to the Blind and Visually Impaired. For each of the previous three years, federal funds for the Rehabilitation Division have been returned due to a lack of matching State funds. We face a similar situation in the next biennium as federal funding continues to increase while the State's ability to match those funds is eroded.

We will work diligently to maximize and identify every matching dollar possible. The federal funding for the Employment Security Division continues to increase to meet escalating workload and does not require a matching component. The DETR intends to utilize every dollar in the Division to provide services to every Nevadan seeking employment.

There are budget highlights throughout [Exhibit K](#). The tabs at the back of the exhibit provide budget detail, including decision units and the Governor's recommended budget.

The DETR is requesting the formation of a workforce solutions unit consisting of three positions and funding for pilot projects dedicated to the collaborative efforts in the employment services arena. Additional federal funding will be made available to address the dire situation in the current economy. To that end, the DETR is requesting a variety of staff positions. We request 22 positions for the Employment Security Division, 2 for the Information Development and Processing Division, and NERC is requesting 2 positions associated with a BDR that has been submitted.

Two divisions will face the elimination of eight staff members. As currently recommended, the NERC will eliminate three positions; one due to General Fund reductions, and two because of possible reductions to the federal Equal Employment Opportunity Commission contract levels. The Rehabilitation Division faces the loss of five positions due to the General Fund reductions.

The DETR has submitted four BDRs. Two requests concern budget issues and two do not. Page 38 of [Exhibit K](#) provides an explanation of each BDR.

The DETR is recommending the following budget modifications that will allow the Department to align the budget with current needs and available funding. We request postponement of the UI modernization project to begin in FY 2011-2012. We request funding authority for the maintenance and functionality of the current system.

Considering the elimination of positions and the resulting reduction of services, the DETR requests the opportunity to reinstate positions and align authority with client services. This will ensure staff is available to assist disabled citizens while

seeking employment and would be accomplished with no increase to the General Fund requests.

The Department requests the ability to update projections for the career enhancement program revenues in consideration of current economics and to provide an accurate representation of available funding. This will amend the level of reserves remaining at the end of the next biennium.

Proactive measures taken by the Department in meeting unemployment challenges have manifested into significant work programs in FY 2008-2009. These will require changes to the current *Executive Budget*. As an example, the Department has requested positions in work programs this year that have also been requested in the *Executive Budget*. If approved, the positions will need to be authorized effective July 1, 2009, rather than the standard October 1, 2009. The work programs have also added positions that will need to be included in budget requests.

Further, as new funding is made available to the Department via the proposed stimulus package, the DETR will need expanded capacity, additional new programs and provisions for pass-through funding to the Workforce Investment Board for training initiatives and additional amendment requests.

ASSEMBLYMAN HOGAN:

There is some alarm concerning your testimony that some federal funding may need to be returned for lack of matching State funds. Will that be an even greater problem should we receive large amounts of funding in the proposed stimulus package?

MS. OLSEN:

We believe the return of a portion of federal funding will continue unless the Department finds other sources for matching funds, or are provided additional matching funds from the General Fund. We do not know whether any of the additional federal funds allocated to the Rehabilitation Division will require matching funds. The standard formula grants do require such a match of funding.

MR. MOSLEY:

I want to close by stating the employees of the DETR are working overtime and weekends. I spent 30 years with IBM and I have never seen a group of people who believe in client services like the DETR employees.

CHAIR ARBERRY:

The next budget overview will be the Department of Agriculture.

COMMERCE AND INDUSTRY

AGRICULTURE

ANTHONY LESPERANCE (Ph.D., Director, Department of Agriculture):

The industry called agriculture is alive and well in the State of Nevada at this time. Nevada has a viable livestock industry. The irrigated agriculture industry is viable and doing well producing many crops of significant value. Nevada is beginning to be recognized internationally in the trade and production of lettuce.

The industry of viticulture, the production of wine, is increasing in Nevada with a number of successful vineyards. There are three wine production plants in the State. The variety of wines produced is being well-received.

I will review highlights from the booklet provided for the Committee ([Exhibit L](#)).

According to 2006 records, the raw goods of agriculture produced in this State had a value of approximately \$500 million. It is estimated the 2008 value will be approximately \$800 million. Most of the dollars produced in agricultural endeavors are spent in rural Nevada. Agriculture today, both directly and indirectly, provides approximately \$2.4 billion to the economy of the State of Nevada. This is a little-known fact.

The Department of Agriculture (NDoA) was created by the Legislature in 1915 under chapter 561 of the NRS. There were two major goals at that time. The first is to benefit and promote the welfare of the people of Nevada. Second is to "promote the efficient, orderly and economical conduct of the various activities for the encouragement, advancement and protection of the livestock and agriculture industries of the State of Nevada." In searching the subsequent Legislative Sessions, I find those goals have never been changed and they are still the driving force today. That is not to say changes have not occurred. The responsibilities of the NDoA have changed dramatically. We have changed from an agency directly involved in agriculture to an agency more involved in regulation.

During the 1950s and 1960s, if there was a livestock meeting or agricultural issues, there were individuals present from the College of Agriculture, the Extension Service and the NDoA. Today, the NDoA has terminated its involvement with production agriculture in Nevada. The Extension Services have been so spread out it has very few people involved in production agriculture. That leaves the NDoA as the primary source at a time the Department is losing positions and its ability to interact with the agriculture industry.

There are seven divisions of the Department including administration, animal industry, plant industry, livestock inspection, weights and measures, petroleum technology, and resource protection. The Department is governed by an 11-member board having representatives from the dairy industry, the sheep industry, three from the livestock industry, one from general agriculture, one from general farming, one from row crops, one from petroleum, one from pest control and one from the nursery industry. Ms. Ramona Morrison, Vice Chair, State Board of Agriculture, is present today representing general agriculture.

Organizational changes have been made. I have held my position for ten months. Some of my first responsibilities were to make corrections recommended in two difficult audits and two internal investigations which affected morale. I felt the Bureau of Petroleum Technology and the Bureau of Weights and Measures should be separated for personnel reasons. The Department recommends that separation should remain.

Since the last time the NDoA appeared before the Legislature, significant changes have occurred throughout the Department. I am the new director; nearly all the administrators have changed; there is no longer a deputy director;

and by this time in 2010, there will be an entirely new State Board of Agriculture.

The goals of the Department are to continue to provide protection for both the public and the agriculture industry on matters concerning measurement, commodity inspection, licensing related to commerce, disease prevention, control of predatory animals and other disruptive forms of wildlife to the best of the Department's ability with its limited resources.

We will continue to streamline accounting procedures, realign budgets and fund management so that recent audit requirements will be fully met. The Audit Division of the Legislative Counsel Bureau sent the Department a letter in December 2008 indicating nearly all the items mentioned in the two audits have been met.

We will continue to realign budgeting procedures so funding sources will more clearly represent budget requirements through specific objectives, projects and Divisions. I have reviewed past budgetary presentations and, even as Director, I had difficulty understanding the information as presented. The Audit Division had difficulty as well.

We are anticipating a successful move into a new facility, which should be completed by July 1, 2009. It is a state-of-the-art facility. As we make the move, we must upgrade each of the laboratories to meet all criteria for certification. Certification is not possible in the present facility.

We will protect water resources for the future of Nevada agriculture. The State Board of Agriculture has chosen to take a leading role in this effort by establishing a policy, in 2008, clearly stating the Board and the Department wish to be involved in protection of Nevada water for Nevada agriculture.

Finally, I wish to develop a philosophy to promote new and innovative production parameters for the sustainable future of Nevada's agriculture. Along those lines, the Department recently sponsored a water summit at a livestock meeting in Winnemucca attended by nearly 200 participants. We also took an active role in a viticulture tour in the fall of 2008 as part of a viticulture seminar with approximately 100 participants.

The Medical Marijuana program was transferred outside the NDoA this year. I am not sure why it was not within the Department of Health and Human Services from the beginning. There is a proposed BDR that will transfer the program permanently to the Department of Health and Human Services.

The pest control operator in the nursery program was moved to the Bureau of Registration and Enforcement, both within the Division of Plant Industry.

The budget requests one new position in the Division of Weights and Measures to be fee funded. The position will be located in Las Vegas. This position will address the shortage of staff in that location.

There is a request to transfer the information technology position, currently in the Animal Industries, to the Division of Administration because it is more logical.

During the current biennium, we have suffered the same cuts as other State departments. In April 2008, the Department was notified to begin downsizing by eliminating positions and returning funds. Fortunately, most position eliminations were accomplished through retirements and other factors and provided promotions for some, leaving lower positions vacant. Eleven positions were eliminated in FY 2008-2009. Four were in the Division of Administration, three each in the Plant Industry Division and the inspection and enforcement areas. One was eliminated in Resource Protection.

Two 0.5 FTE positions were eliminated in the enforcement area through layoffs. The other ten positions did not require layoffs. Approximately \$1 million in General Funds was returned to the State. Ramifications included the elimination of the deputy director position; accounting positions; a livestock industry position; the Winnemucca agriculturist position which was the only professional position in Humboldt County. The loss of that position has caused concern with certification and testing issues. One position was eliminated in the Noxious Weed program.

One measure the Department took helped with the situation. Shortly after I was asked to assume my position as Director, the Governor created the Spending and Government Efficiency (SAGE) Commission. The Department initiated its own SAGE committee. I chose mid-level staff and no administrators. I chose one or two staff from each division and instructed them to find ways to survive the economic situation and determine how required cuts might be accomplished. The committee proved successful and I have eliminated any administrative influence. The meetings are closed to all administrative staff including myself. I only wish to see the final product. To date the committee has created wonderful ideas that have helped the Department's overall efficiency. The Chair of the committee is also my Chief Administrative Assistant, Ms. Sandra Foley.

Unfortunately, the proposed budget reduction recommendations have continued. We were advised in November 2008 that an additional 20-percent cut might be needed to balance the budget. I advised all administrators to prepare a list for my consideration.

We have eliminated an additional 12 positions; 3 in Administration, 3 in Plant Industry, 1 in Animal Industry, 1 in the area of inspections and 4 in Resource Protection. This represents a loss of an additional \$2.3 million in General Funds to the Department. The fallout from these decisions will be significant. In administration, there will no longer be staff at the front desks in the two main offices in Reno and Las Vegas. The loss of one more position in the accounting area places those responsibilities in a precarious position. We are eliminating a nursery inspection position in southern Nevada. We have eliminated a position in seed certification and organic gardening. Certified seed represented nearly \$8 million in revenue in 2008. By elimination of this position, we will also eliminate \$45,000 in revenue generated through the position in certification and licensing procedures.

ASSEMBLYWOMAN SMITH:

There has been a great deal of constituent contact about the loss the organic certification program. The functions of the eliminated position created significant revenue. Is it a good balance to eliminate that particular position? It

seems this would be a program that would continue to grow and generate revenue.

DR. LESPERANCE:

I have worked diligently to eliminate the positions I felt would ultimately have the least ramifications to the agency and the State. I have also received telephone calls, e-mails and personal visits concerning the organic program.

Elimination of five positions in Resource Protection will have a significant impact on Nevada livestock production. The U.S. Department of Agriculture estimates indicate, with these cuts, within in two to three years, lambs lost to pervasion might increase from the current 2 or 3 percent to as much as 20 percent. A further estimation indicates if nothing is done to prevent the pervasion loss to lamb production, 50 percent of the current sheep producers in the State may go out of business.

Calf losses will likely escalate. Calf losses are currently at 2-percent statewide. It is estimated they may grow to as much as 5 to 15 percent or more. I own a ranch in Paradise Valley in Humboldt County and I can guarantee cutting Resource Protection will significantly affect my neighbors and my ranch.

One program officer position for the Virginia Range Horse Estray Program in Animal Industry has been eliminated. I can summarize the rationale of only one position reduction in a few short words. Rabies, plague, tularemia, foot and mouth, avian influenza, West Nile virus, tuberculosis, brucellosis, anthrax, equine and encephalitis are diseases that have the ability to transfer from animals to humans. These are all diseases terrorists are watching for and can use if given the opportunity. It is critical that no matter what else is done within the NDoA, the veterinary aspects of the present Department be protected at all costs. They render the critical service of protection to animals and transference of diseases to humans in this State.

I have ranked the 12 positions in order of replacement if funds can be found to reinstate 1 or all. The seed certification and organic position is first on the list. I have considered many methods of retaining this position. However, it would be totally wrong on my part not to protect the veterinary aspects of animal disease control.

Next, I will provide an overview of the Virginia Range Horse program as described on page 8 of [Exhibit L](#). A helicopter count was done in August 2008 in cooperation with the advocacy groups. The advocacy groups had maintained the Department's estimate of 1,200 head of horses was incorrect. The helicopter count located 1,448 animals. It is felt there are between 1,500 and 1,600 horses in the Virginia Range. The extensive range survey report, conducted two or three years ago, recommended the Virginia Range could only support 550 horses.

I recently solicited an opinion from the Attorney General in regards to ownership of the horses. The opinion rendered stated the horses are clearly State property and are to be treated as such. Numerous Memorandums of Agreement with the various advocacy groups exist for the removal or adoption of the horses. In December 2008, I asked the Brands Investigation Division to conduct an in-depth investigation of the status of the horses in possession of the various

advocacy groups. Three investigators worked for three weeks and portions of the investigation are ongoing. We followed Virginia Range horses from California to Texas and places beyond. We came to the conclusion the NDoA had no accountability for what was happening to the horses. From this point forward, the NDoA will maintain full accountability for all horses removed from the Virginia Range. I informed all organizations they could claim the horses in their possession for a fee of \$1. A livestock certification would make the sale binding. I also made it clear that any horses in their possession and unaccounted for after that point would be considered as grand larceny and treated accordingly. We will be signing a memorandum with the Virginia Range Horse Protective Association. I deem them the only legitimate organization and they are the only organization the NDoA will work with. They are not an adoption agency, but they will act as the intermediary on all future adoptions.

As the Committee may realize, U.S. Senator John Ensign, earlier this year, sponsored a bill prohibiting the slaughter of horses in the United States. The bill passed overwhelmingly, and, at this point in time, all U.S. slaughterhouse facilities are closed. The industry previously processed between 50,000 and 100,000 horses annually. In addition, hay prices have skyrocketed during the past year further complicating the problem.

The Brands Division gathers estray horses throughout Nevada with the exception of the Virginia Range. In 2007, approximately 10 horses were picked up. In 2008, the number of estray horses rose to 57. Over 30 horses have already been picked up in 2009. These are horses no one wants any longer. Their owners turn them out under the mistaken assumption they will become wild and join a wild horse herd. These horses would be rejected by wild bands under any circumstances. For the most part, the horses will simply stand approximately where they were turned loose, mostly on a State highway. I perceive this to be a danger to the public so I have instructed the Brands Division to gather the horses as rapidly as possible and advertise them for adoption under the normal estray procedures. If no one claims them, they will be sold. The adoption market is saturated. As the Virginia Range horse population continues to increase, it places more pressure on surrounding developments, particularly on U. S. Highway 50 East. There have been a large number of horse/car incidents on Highway 50 East and related roads, approximately 24 in the past year. Fortunately, none have resulted in death.

Because the State owns these horses, the situation places the NDoA, and ultimately the State, in a precarious position unless every possible action is taken to resolve the problem. The Department is removing the problem horses as rapidly as possible and, at this point in time, the horses are placed in the Stewart training facility. Some of the horses ultimately go into the training program and when their training is completed they are sold. The last sale was a failure because no one was buying the horses. It costs the NDoA \$2.50 each day to place a horse in the Northern Nevada Correctional Center Saddle Horse Training Facility at Stewart.

If 50 horses are kept at the facility for one year at a cost of \$2.50 each day, it will cost the General Fund \$45,000. That revenue is not available and, as Director, I would not authorize that expenditure even if I had the revenue. The Department is forced to take drastic measures. We will do our best to have the horses adopted or place them in sanctuaries if at all possible. Otherwise, the

horses will be sold. I am aware this is an unpopular decision. I am willing to listen to valid alternatives; however, I have heard none. The horses will be sold.

In conclusion, I will switch to a happier subject. Our present facility is 16,000 square feet. There are as many as three people in many offices. The building leaks. The labs cannot be certified although certification is critical for a number of legal reasons. My office was only 57 degrees throughout the month of December which is unacceptable.

A CIP project is in place. Planning began for a new facility in 1997. The 2003 Legislature funded the final plan. The plans were drawn in 2005. In 2007 the Legislature funded the overall project. The original estimate was \$29 million and during early 2008, the estimate was reduced to \$23 million because of financial rollbacks. West Coast Contractors submitted the winning bid for \$15.7 million, \$7 million under the reduced figure. The winning bid covered the entire facility, all structures and exterior plans. At this time, the building is approximately 65-percent complete. Minimum change orders have been submitted to date, attributable to the years of planning that went into the project. I tour the building with the SPWB weekly, and I am satisfied it is being constructed to our expectations. It is a state-of-the art facility and a building all Nevadans can view with pride.

We are making preliminary plans for the move and will submit a moving bid for funds already allocated. We will work with the SPWB and secure insurance. We will begin packing materials on May 15, begin moving on July 1 with the move concluded in July 2009 and open for business in August 2009.

Some of the instrumentation owned by the NDoA will require special moving companies located in the Reno area. Special collections, such as the collection of Mr. Jeff Knight, the State Entomologist, will be the responsibility of the owner of the collections. The goal is to be completely in the new facility in time for the September 2009 meeting of the Board of Agriculture.

Ms. Donna Rafferty, Administrator of the Plant Industry Division, who has been the manager of the CIP project will show slides taken at the new facility.

DONNA RAFFERTY (Administrator, Division of Plant Industry, Department of Agriculture):

When I accepted this position in July, I was unaware of the additional duties of the new facility. It was an honor to be asked to be the liaison. I have learned more about the building of a facility of this magnitude than I thought I would ever know.

The building is located on 21st Street in Sparks, directly in front of the current Weights and Measures facility. The slides are included as part of [Exhibit L](#).

There will be 52 offices. Program managers, administrative staff and others will be housed in 34 cubicles. There are also several specialized laboratories. There is a high level of technical instrumentation. We are working closely with those who currently run the labs for proper installation.

One addition from current facilities will be a greenhouse which will enhance the plant pathology and seed certification testing requirements. We would like to offer tours of the facility for Committee members.

ASSEMBLYMAN GOICOECHEA:

Please provide clarification on wildlife protection and animal damage control and exactly what the impact of the budget reductions will mean in rural Nevada.

MARK JENSEN (Administrator, Division of Resource Protection, Department of Agriculture and State Director, USDA Animal and Plant Health Inspection Service):

Our mission is to assist individuals experiencing problems with wildlife. In Nevada, that means assisting wool growers and cattlemen with predator problems. The primary wildlife species involved are coyotes, mountain lions and ravens.

Half of the field staff are State employees and the other half are federal employees. These employees are placed throughout the State in remote areas because that is where the livestock is. The proposed budget reductions will eliminate approximately four positions. Without those individuals present, it will be difficult to interact with the wool growers and ranchers, and continue to serve particular areas. One position each will be eliminated in Lovelock, Elko, Ely and Austin.

ASSEMBLYMAN GOICOECHEA:

Do the four eliminated positions represent approximately 20 percent of the staff in the Division?

MR. JENSEN:

It represents approximately 20 percent of the total field workforce, about 45 percent of the State workforce.

ASSEMBLYMAN GOICOECHEA:

It is only fair for representatives from urban areas to understand these are the staff positions responsible for trapping geese on the airports, ducks on the Bellagio fountains and they have statewide responsibilities.

MR. JENSEN:

That is correct. The duties are varied and involve livestock issues and urban wildlife issues such as geese, skunks and raccoons. These individuals also work with disease sampling.

ASSEMBLYMAN GOICOECHEA:

I know there have been many constituent contacts concerning the losses in organic gardening. However, we have not seen anything yet if the livestock industry begins having major predator problems.

DR. LESPERANCE:

When I assumed the role of Director in March 2008, the Department had 101 positions. We have since lost 23 positions and nearly 50 percent of the General Fund support for the agency. I am not aware of any other department with such deep impacts. The impacts will be felt not only by farmers and ranchers but by the urban population as well. The Reno and Las Vegas airports

have significant geese problems and there is no Hudson River nearby on which to land a plane. I take full responsibility for the reductions that have taken place to date. I will listen to any conceivable plan to help offset these reductions.

ASSEMBLYMAN GRADY:

Some of you may recall that the first week Dr. Lesperance was Director and appeared before the IFC, he and I had a discussion on the Virginia Range wild horses. I want to compliment Dr. Lesperance. His decision was not popular, but at least a decision was made.

DR. LESPERANCE:

Thank you. I saw no other alternative.

CHAIR ARBERRY:

We will now hear the overview of the Department of Administration budgets.

FINANCE AND ADMINISTRATION

ADMINISTRATION

ANDREW CLINGER (Director, Department of Administration):

I have provided a packet of information ([Exhibit M](#), original is on file in the Research Library).

A mission statement, a purpose of the program, an organizational chart, a budget summary, budget highlights and budget reductions for each division is contained in [Exhibit M](#). I will provide high points of the overall budget.

Page 2 of [Exhibit M](#) contains an organizational chart of the Department. There are nine divisions. There are additional programs within certain divisions. For example, the Buildings and Grounds Division has the Clear Creek Youth Center, the Mail Services and the Marlette Water System. The Purchasing Division has responsibility for the Commodity Food Distribution Program and Surplus Property. The Hearings and Appeals Division also has responsibility for the Victims of Crime Program.

COCHAIR MATHEWS:

Have all the buildings been removed at the Clear Creek Youth Center site?

MR. CLINGER:

That is correct.

Page 3 of [Exhibit M](#) provides a summary of the FTE positions, broken down by divisions and programs. The 2007-2009 Biennium numbers are the Legislatively approved positions, the 2009-2011 column is the Governor's recommended positions within the Department. The recommendations include the elimination of 13.5 FTE positions. All but one of the positions is vacant at this time. One Buildings and Grounds Division position is currently occupied; however, that person qualifies for reclassification to a different position.

Page 4 of [Exhibit M](#) provides an overview of funding sources within the Department. Interagency transfers comprise 59.2 percent of the budget. Most of the divisions are internal service fund agencies such as the Risk Management,

Motor Pool and Buildings and Grounds divisions. The funding for those divisions is derived from transfers from other agencies. The General Fund represents only 6.3 percent of the total budget for the Department. It funds the Budget Division, the Internal Audit Division and the Information Technology Division. Other funds are derived from the Commodity Food Distribution Program through processed food sales. It is a straight pass through of the food purchased and disbursed through the program. A comparison chart has been provided to the 2007-2009 biennium Legislatively approved budget breakdowns. The dramatic change in the Other Funds is due to the increase in the Commodity Food Distribution Program. Page 5 of [Exhibit M](#) provides the same information in a table format. The overall General Fund appropriation has decreased 19.65 percent. The interagency transfers have been reduced 5.1 percent or \$5.6 million. That \$5.6 million is a direct savings to other agencies that receive services from the Department. The Other Funds category has grown 76.66 percent.

Page 6 of [Exhibit M](#) is a breakdown of the Department's size relative to each division.

Page 7 of [Exhibit M](#) itemizes each division in comparison to the 2007-2009 Legislatively approved budget to the Governor's recommended 2009-2011 budgets. All divisions, with the exception of the Commodity Food Distribution Program, are smaller than the 2007-2009 biennial budgets. The Division of Information Technology has the greatest reduction at 42.57-percent decrease overall, followed by the Internal Audit Division with a 20.93-percent decrease.

Pages 8 and 9 of [Exhibit M](#) are a categorization of the expenditures with a comparison between the work program and the *Executive Budget*. Personnel expenses are 21.1 percent and claims cost payments within the Risk Management Division are 20.5 percent. Client medical provider payments are from the Victims of Crime Program.

I will not provide detail today of the decision unit reductions in each budget statewide such as salary reductions, merit increase suspensions, longevity payments and the SAGE Commission recommendations. They are summarized on page 10 of [Exhibit M](#). The savings for the Department is \$3.87 million over the biennium.

The mission of the Budget and Planning Division is to develop a fiscally responsible *Executive Budget* which reflects the Governor's goals.

Page 16 of [Exhibit M](#) reflects two enhancement requests for the division. One is a standard five-year replacement schedule for equipment. Decision unit E-901 transfers costs more appropriately accounted for in the Director's Office rather than the Division of Information Technology.

BUDGET AND PLANNING – Budget Page ADMIN-1 (Volume I)
Budget Account 101-1340

E-901 Transfers – Page ADMIN-5

Page 17 of [Exhibit M](#) denotes the elimination of a public service intern position within the Division of Budget and Planning.

The mission of the Administrative Services Division is to provide fiscal and administration support to the divisions of the Department and to the Board of Examiners, the Office of the Governor, the Governor's Mansion, the Nuclear Projects Office and the State Energy Office which were recently added, and the State Civil Air Patrol, Deferred Compensation Committee, the Ethics Commission and the Commission for Women.

Page 22 of [Exhibit M](#) lists the replacement equipment enhancement request following the standard replacement schedule.

Page 23 of [Exhibit M](#) contains a request to eliminate one vacant accounting assistant II position.

The mission of the Information Technology Division is to provide technology expertise to the various State agencies as well as the divisions within the Department. The division also provides budgetary oversight of designated IT projects placed in B/A 101-1325.

Information Technology Projects – Budget Page ADMIN-26 (Volume I)
Budget Account 101-1325

These are projects for various State agencies.

I will go to page 29 of [Exhibit M](#) which shows decision unit E-900.

Information Technology Division – Budget Page ADMIN-20 (Volume I)
Budget Account 101-1320

This request transfers the expenditures associated with the Integrated Financial System Training Facility to the Department of Personnel. The Division of Information Technology has moved from that location and is currently located with the Budget and Planning Division.

E-900 Trans from Dept of Admin to Dept of Personnel – Page ADMIN-24

On page 30 of [Exhibit M](#), we move back to B/A 101-1325. There are two projects requested for a total of \$8.149 million from the General Fund and other funding of \$3.8 million. These are projects that have been discussed in the Department of Health and Human Services budget overview.

Page 31 of [Exhibit M](#) represents the budget reductions in the IT Division. Two positions will be eliminated. One is an IT manager III position and the other is an administrative assistant III with associated savings.

The Risk Management Division mission is to provide insurance claims, safety, loss prevention and risk management consultation services to State agencies and employees.

Page 37 of [Exhibit M](#) contains a rate table displaying the various rates charged for the different lines of coverage the Division provides and compares those

rates to those budgeted in FY 2007-2008 and FY 2008-2009. We have reduced rates wherever possible. The workers' compensation rate was increased from 0.0260 to 0.0273. The fleet collision insurance decreased from \$136 annually for each vehicle to \$88 for each vehicle. The property and contents rate was reduced from 0.00180 to 0.00121. Those are savings in the interagency transfer category.

Page 39 of [Exhibit M](#) is the enhancement request for replacement equipment for the Risk Management Division.

The mission of the Internal Audit Division is to improve and monitor the efficiency and effectiveness of State operations and provide fiscal oversight of agencies while assisting them in establishing and maintaining appropriate internal controls.

Page 43 of [Exhibit M](#) reflects the standard budget request for equipment replacement.

Page 44 of [Exhibit M](#) reflects budget reductions and associated savings recommended in the *Executive Budget*. The recommendation would eliminate four vacant auditor positions within the Division.

The mission of the Purchasing Division is to perform all the functions related to service procurement and the purchasing, renting or leasing of supplies, materials and equipment needed by State agencies.

Replacement equipment requests are on page 49 of [Exhibit M](#).

Page 50 of [Exhibit M](#) requests the elimination of three positions including a purchasing technician I, a management analyst II, and a management analyst III and associated savings.

The only decision unit in the Commodity Foods Distribution Program is for standard replacement equipment.

The mission of the Motor Pool Division is to provide clean, safe, reliable and environmentally-friendly vehicles to State officers and employees while conducting official business.

Page 56 of [Exhibit M](#) reflects highlights of the different rates charged by the Division and compares those rates to the FY 2007-2008 and FY 2008-2009 rates and the *Executive Budget* rates for the 2009-2011 biennium.

Page 57 of [Exhibit M](#) reflects the decision units for depreciation. Depreciation is charged on existing and new vehicles and transferred to the Vehicle Purchase account.

Page 58 of [Exhibit M](#) requests a budget reduction to eliminate a part-time student worker position at the Reno Motor Pool facility.

Page 59 of [Exhibit M](#) contains two enhancement requests related to purchasing replacement and new vehicles. In FY 2009-2010, the request is \$1.4 million to

replace 59 vehicles and \$1.56 million in FY 2010-2011 to replace 65 vehicles. The funding source is the depreciation funds transferred into this account from the Motor Pool account.

The next item on page 59 is a request for nine new vehicles at \$161,752 in FY 2009-2010.

The mission of the Buildings and Grounds Division is to manage and maintain State facilities, provide efficient and cost-effective office space and an economical and dependable mail system and dependable, uninterrupted water service through the Marlette Lake and Stewart facility water systems.

Page 64 of [Exhibit M](#) outlines the rates charged to State agencies for office rent. The rate has been reduced by decreasing operating and maintenance expenses to State-owned facilities. In the FY 2007-2009 biennium the rate is \$1.09 per square foot and the recommendation is to reduce the rate to \$1.02 per square foot in the coming biennium.

On page 65 of [Exhibit M](#) is decision unit M-200. The request is to increase the operating and maintenance costs and utility expenditures in buildings and grounds as a result of the new Campos Building in Las Vegas becoming operational in January 2010 with associated costs.

Buildings & Grounds – Budget Page ADMIN-64 (Volume I)
Budget Account 710-1349

M-200 Demographics/Caseload Changes – Page ADMIN-66

The next item transfers the Clear Creek budget of slightly more than \$7,000 each year into the Buildings and Grounds budget.

The last item is a request for funding in FY 2009-2010 to provide building renovation projects at different facilities related to fire, life/safety and replacement of critical heating, ventilating and air-conditioning equipment.

Page 66 of [Exhibit M](#) requests replacement equipment including the purchase of four vehicles and the replacement of a skid steer loader with a backhoe attachment and replacement of desktop computers. A small amount is requested each year for training.

Page 67 of [Exhibit M](#) outlines budget reductions in decision unit E-606.

Buildings & Grounds – Budget Page ADMIN-64 (Volume I)
Budget Account 710-1349

Decision unit E-606 recommends the elimination of two Capitol police officers, one in the north and one in the south. These are vacant positions due to the retirement of officers. This includes a transfer to the Capitol police budget with a corresponding decision unit. One position would be eliminated at the Grant Sawyer Office Building in Las Vegas and one at the Supreme Court Building in Carson City.

E-606 Staffing and Operating Reductions – Page ADMIN-68

Decision unit E-607 eliminates an electrician I position. The incumbent would be moved to a maintenance repair specialist position allowing the duties to encompass more than electrical projects. Major electrical repairs can be contracted with a private vendor as needed.

E-607 Staffing and Operating Reductions – Page ADMIN-68

B&G - Mail Services – Budget Page ADMIN-74 (Volume I)
Budget Account 713-1346

The State Mail Services budget begins on page 68 of [Exhibit M](#). Staff reductions begin on page 69. One position and associated equipment is eliminated, reducing the number of mail runs from two to one each day. Associated savings are listed on page 69 of [Exhibit M](#).

E-606 Staffing and Operating Reductions – Page ADMIN-76

Decision unit E-607 reflects the early repayment of the General Fund advance in FY 2008-2009 eliminating a repayment cost in FY 2009-2010 and FY 2010-2011.

E-607 Staffing and Operating Reductions – Page ADMIN-76

There are no enhancements on page 70 of [Exhibit M](#).

There are no decision units in the Clear Creek Youth Center account other than the funds transfer to the Buildings and Grounds account.

Page 72 of [Exhibit M](#) is the Marlette Water System account, B/A 712-1366.

B&G - Marlette Lake – Budget Page ADMIN-85 (Volume I)
Budget Account 712-1366

We are requesting funding to rent heavy equipment for use in road maintenance at different intervals throughout the year. There are 25 miles of backcountry roads used to access the water system pipeline and other components.

The request on page 73 of [Exhibit M](#) requests funding to paint the exterior of the shop building and to make repairs to the Marlette Lake house. This will protect the building from any further deterioration.

Page 74 of [Exhibit M](#) contains a list of CIP projects for the Department. Most are maintenance projects.

The last tab of [Exhibit M](#) contains the Hearings and Appeals Division and the Victims of Crime Section. There are no enhancements in either area.

ASSEMBLYMAN GOICOECHEA:

Rather than renting the equipment for the Marlette Lake roads, why not use the NDOT equipment? There would surely be something available in the Lake Tahoe area.

MR. CLINGER:

I will defer to Mr. Pat McGinnis to answer that question.

PAT MCGINNIS (Chief Engineer, Building and Grounds Division, Department of Administration):

We have approached the NDOT concerning use of their equipment on the roads in the Marlette Lake area. The main problem is most of their equipment is designed for working on flat, well-paved roads and their operators are more accustomed to work on super highways. Many of our roads have up to a 10-percent grade and steep edges. Also, the time period available for our projects is immediately after the spring runoff when the NDOT begins their busiest season as well.

MR. CLINGER:

An e-mail was sent to all Legislators with a link to the open government website, NevadaSpending.com, with highlights of what is included on the website.

ASSEMBLYMAN HOGAN:

In the list of the Governor's recommendations for CIP projects, I see a \$500,000 project for security and safety upgrades at the Governor's Mansion. Is this a particularly substantial security challenge?

MR. MCGINNIS:

The upgrades are a combination of repair of brick walkways and other flatwork projects that are 40 years old and have become trip hazards. Also, it has been recommended the security surveillance system surrounding the mansion be upgraded. A large area is not covered by security cameras and there are no low-light capabilities.

ASSEMBLYMAN DENIS:

The request in the State Motor Pool is for replacement of 124 vehicles. What percentage of the vehicles are alternative-fuel vehicles?

KEITH WELLS (Administrator, State Motor Pool, Department of Administration):

Approximately 25 percent of the new vehicles will be alternative-fuel vehicles. Of vehicles replaced in Las Vegas or Reno, 90 percent must be alternative-fuel vehicles. There are no requirements in the rural areas. When vehicles are allocated, we do not target a specific vehicle, rather a percentage of the fleet.

COCHAIR HORSFORD:

I thought the SAGE Commission was reviewing the option of using private rental vehicles. Has that option been evaluated?

MR. WELLS:

I met once with the SAGE Commission and we discussed that option. The Motor Pool has been considered for privatization many times in the past. The Motor Pool has two components. There is a daily rental center and long-term vehicle rentals. The daily rental center is what is typically suggested for privatization. Each time a cost-benefit analysis has been done, the State-owned Motor Pool has come out ahead. Ten percent of all the daily rental travel is currently outsourced to ensure we utilize our assets in a cost-effective manner. We manage utilization closely.

COCHAIR HORSFORD:
I would like you to work with our fiscal staff regarding identification of all vendor contracts with the State to determine what the services and terms of the agreements are. Those items need to be considered for cost savings and as a potential alternative to the budget shortfalls.

MR. CLINGER:
We will do that. The Purchasing Division maintains a database of all contracts.

COCHAIR HORSFORD:
Seeing no further business before the Committee, we will adjourn this meeting at 3:32 p.m.

RESPECTFULLY SUBMITTED:

Cynthia Clampitt,
Committee Secretary

APPROVED BY:

Assemblyman Morse Arberry Jr., Chair

DATE: _____

Senator Bernice Mathews, Cochair

DATE: _____