

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-fifth Session  
February 20, 2009**

The Senate Committee on Finance was called to order by Cochair Bernice Mathews at 8:05 a.m. on Friday, February 20, 2009, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

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

**STAFF MEMBERS PRESENT:**

Brian Burke, Principal Deputy Fiscal Analyst  
Gary L. Ghiggeri, Senate Fiscal Analyst  
Alex Haartz, Program Analyst  
Michael Bohling, Committee Secretary

**OTHERS PRESENT:**

Ross Miller, Secretary of State, Office of the Secretary of State  
Nicole J. Lamboley, Chief Deputy, Office of the Secretary of State  
Dennis K. Neilander, Chairman, State Gaming Control Board  
Ron Sparks, II, Executive Director, Western Interstate Commission for Higher Education  
Carl L. Shaff, Executive Commissioner, Western Interstate Commission for Higher Education  
Jane A. Nichols, Ed.D., Vice Chancellor for Academic and Student Affairs, Nevada System of Higher Education

**COCHAIR MATHEWS:**

We will begin the hearing on the budget of the Office of the Secretary of State.

**ELECTED OFFICIALS**

Secretary of State – Budget Page ELECTED-127 (Volume I)  
Budget Account 101-1050

**ROSS MILLER (Secretary of State):**

We have provided the Committee with a copy of our presentation containing highlights and operations of the Office of Secretary of State ([Exhibit C](#)).

The funding we request for the upcoming biennium is needed to meet our constitutional and statutory obligations. There are some modest requests for enhancements to streamline operations of the Office, allocate limited resources,

reduce redundancies and eliminate waste. Our four main areas of jurisdiction and responsibility include commercial recordings, elections, notaries and securities.

In September 2008, the Office cut 16 staff members and held 8 positions vacant, resulting in a 17-percent reduction in staff. In fiscal year (FY) 2007-2008 we had 143 positions; today we have 118. As positions are vacated, we are holding them vacant to realize salary savings.

The Office's three primary budget accounts (B/As) are B/A 101-1050 for the general operations of the Office, B/A 101-1051 for the federally funded Help America Vote Act of 2002 (HAVA) and B/A 101-1053 for our revolving securities fund.

Budget enhancements E-903 to E-911 recommend combining B/A 101-1050 and B/A 101-1053, which will allow us to streamline office efficiencies, reduce redundancies and provide greater flexibility for an account unable to meet its targeted funding levels.

E-903 Trans Base from Investigations/Enforcements to SOS  
Page ELECTED-133

E-904 Trans E710 from Investigations/Enforcements to SOS  
Page ELECTED-134

E-905 Trans E250 from Investigations/Enforcements to SOS  
Page ELECTED-134

E-906 Trans M160 from Investigations/Enforcements to SOS  
Page ELECTED-135

E-907 Trans M300 from Investigations/Enforcements to SOS  
Page ELECTED-135

E-908 Trans E670 from Investigations/Enforcements to SOS  
Page ELECTED-136

E-909 Trans E671 from Investigations/Enforcements to SOS  
Page ELECTED-136

E-910 Trans E672 from Investigations/Enforcements to SOS  
Page ELECTED-136

E-911 Trans E673 from Investigations/Enforcements to SOS  
Page ELECTED-137

MR. MILLER:

Decision unit E-325 recommends the elimination of the special services account. This account directs 49.8 percent of the expedite-fee revenues to the General Fund. The special services account receives the other 50.2 percent of the revenue generated. Replacing these revenues through a General Fund allocation will provide the necessary stability to fulfill the duties of the Office.

E-325 Services at Level Closest to People – Page ELECTED-130

Decision unit E-805 is a request for a position reclassification from an administrative assistant II to an information technology (IT) professional III. The reclassification was recommended and approved by the Department of Personnel after the budget was submitted. We believe the reclassification should be approved so it will not need to be submitted to the IFC after the budget closes. This reclassification is needed because services have become increasingly technology oriented to make better use of online services.

#### E-805 Classified Position Reclassifications – Page ELECTED-133

Decision unit E-906 transfers decision unit M-160 from B/A 101-1053 to B/A 101-1050 and requests the elimination of five agency vehicles that were assigned to individual criminal investigators. We have four remaining vehicles which will become part of the Office motor pool used for conducting government business and investigations.

COCHAIR MATHEWS:

How old are those four vehicles?

MR. MILLER:

We have a 2002 Chevrolet Cavalier, a 2002 Dodge Intrepid, one full-sized truck and one full-sized sedan. I am unsure of vintage and models of the last two vehicles.

Decision unit M-160 eliminates 13.55 full-time equivalent positions (FTEs), excluding 2 positions from the elections center. These positions were laid off in October 2008.

#### M-160 Position Reductions Approved in 07-09 – Page ELECTED-129

I am confident the budget we have presented will meet the target levels of the budget reductions requested. We made some difficult decisions but will still be capable of carrying out the statutory and constitutional responsibilities of the Office.

The Office generates over \$100 million annually for the General Fund and is the third-highest producer of General Fund revenue in the State. The Office's general fund increased 1.34 percent in FY 2007-2008. During the same period, revenues in the Delaware Secretary of State's Office declined over 25 percent. Total revenue generated by the Office in FY 2007-2008 was up 1 percent and total expenditures declined 4.65 percent. For this reason, we were able to adhere to the 4.5-percent reduction requested by the Governor.

Revenue generated for each FTE was \$759,000 in FY 2007-2008, a significant increase from \$405,000 in FY 2001-2002. By adding personnel and increasing efficiencies, we have improved our revenues and made Nevada a more attractive state for commercial filings.

The commercial recordings center generates the most revenue for the agency and accounts for 77 percent of the Office's general fund revenues. There were 310,000 commercial entities on file two years ago, and even with the economic downturn, we currently have just fewer than 320,000.

The special services account is funded by expedite fees charged for setting up Limited Liability Corporations (LLCs) and expediting renewals for entities that do not want to wait the standard processing time. In a declining economy, fewer people are willing to pay fees to expedite services. Because of increased efficiencies and online services, revenues from this account have continually declined. Due to the Governor's recommended budget cuts and because some positions in the Office were funded by declining expedite-fee revenues, we were obligated to balance our budget by implementing layoffs.

Decision unit E-250 funds the fees paid to credit card issuers due to increased credit card use by customers. In February 2008, we realized \$78,000 in savings by implementing PIN-less debit transactions (personal identification number), e-checks and online trust accounts as alternate forms of payment. This enhancement was reduced to meet the 14-percent budget reduction recommended by the Governor. Given the history of credit card fees, which have increased about 50 percent each year, the amount requested in this enhancement will be insufficient to cover our expenses.

#### E-250 Working Environment and Wage – Page ELECTED-130

SENATOR COFFIN:

In the 2007 Legislative Session, we encouraged the Department of Motor Vehicles (DMV) to renegotiate terms with their credit card firms. The firms reduced their fees by 30 to 50 basis points. What rate does the Office currently pay?

NICOLE J. LAMBOLEY (Chief Deputy, Office of the Secretary of State):

We use the State-negotiated Master Service Agreement in which the Department of Administration and other agencies participate. This agreement has a floating rate depending on the type of card used and the amount of the charge. We can provide the Committee a list of the various charges, but it is percentage based and not a flat rate.

SENATOR COFFIN:

The State-negotiated rate may not be the lowest. The DMV renegotiated and got a lower rate. Every credit card firm is currently charging a fee of under two percent.

MR. MILLER:

I think the fee we pay is currently 2.5 percent.

SENATOR COFFIN:

With a little work, you can do much better.

MR. MILLER:

The Electronic Secretary of State (e-SoS) system, implemented in 2005, allowed the Office to create unprecedented levels of efficiency. The proposed budget contains minimal funding for emergency issues with the system and does not account for upgrades. At some point, we will want to upgrade the e-SoS system to maintain our competitive advantage. We need to consider providing funding for a one-stop portal that would allow both systems to operate on parallel tracks. The e-SoS system has crashed several times in the last few months, and we have made significant reductions to the maintenance contract with our vendor.

Budget account 101-1051 is federally funded and supports the federal mandates of the HAVA. We have received \$21.1 million in federal funding and have \$6.1 million remaining in the account. These funds are used for poll-worker training, to purchase voting machines and to maintain the statewide voter-registration list.

SOS - HAVA Election Reform – Budget Page ELECTED-139 (Volume I)  
Budget Account 101-1051

At the Interim Finance Committee (IFC) meeting in February 2009, the Committee approved a request for \$42,000 to meet the 5-percent match required to secure new HAVA Title I funds. This will be the first HAVA funding received by the State since 2004. It is anticipated the new Congress will make significant changes pertaining to elections and appropriate new funding. We are concerned there will be unfunded mandates to take into consideration.

COCHAIR MATHEWS:

Does your Office intend to extend the current contract with Sequoia Voting Systems when it expires in April 2009?

MR. MILLER:

We would like to renew the contract but are waiting see what happens on the federal level. The voting machines must be certified by the U.S. Election Assistance Commission (EAC) and they are considering new certification measures. We want to know whether or not the machines purchased by the State will comply with the new certification standards before renewing the contract. Until we know how we will administer future elections, we do not want to enter into a long-term contract with Sequoia.

We have held successful elections in Nevada because the State's machines purchased through the same vendor are all alike. If wholesale changes are made as to which machines can be used in federal elections, it will have a significant impact in the future. We will approach our contract negotiations with this in mind.

COCHAIR MATHEWS:

Do all Nevada's voting machines have paper printouts for auditing purposes?

MR. MILLER:

Yes. Nevada is the only state in the country with a voter-verifiable paper trail printer installed on all of our machines. We are also the only state capable of conducting post-election audits comparing the paper-trail tally to the electronic tally. To date, we have had no discrepancies.

SENATOR RHOADS:

Do all rural counties currently have an adequate quantity of voting machines?

MR. MILLER:

Yes.

Budget account 101-1053 is the Securities Revolving Fund. Pursuant to a Legislative Letter of Intent, this budget was moved to the *Executive Budget* in 2007. This is the only unit in the agency with a separate budget account. The

securities center annually contributes approximately \$21 million to the General Fund.

SOS - Investigations and Enforcements – Budget Page ELECTED-146 (Volume I)  
Budget Account 101-1053

Now that this account is a part of the *Executive Budget*, we are requesting to incorporate it into the Office's main budget. Funds deposited into this account consist of miscellaneous fines assessed by the security center which fund the unit's operations. Personnel under this account are funded by the General Fund. If the revolving fund does not meet projections, supplemental funding through the IFC may be requested. We request B/A 101-1053 be moved into B/A 101-1050 to reduce redundancies, allow greater efficiencies and to provide necessary resources if funding projections are not met.

COCHAIR MATHEWS:

In B/A 101-1050, you suggest leaving six positions vacant and retaining them on your roster without funding. The Committee suggests you eliminate these positions and request them to be reinstated by the IFC if you need them filled.

MR. MILLER:

It will be harder to make a case to the IFC to fill the positions after eliminating them as opposed to leaving them unfunded and on the roster. If we do not restore the positions, the Office will have 16-percent fewer FTEs than before.

We are requesting to restore two FTEs in the elections center. One position is a legal research assistant who monitors the unit's mitigation, election complaints and resolutions. The other is a legal secretary II who maintains records of Nevada's political parties including: certificates of existence; contribution and expense reports; developing election forms and guides; and working with campaign finance officers to administer and enforce campaign finance laws. The loss of these positions would significantly impair the center's ability to oversee and coordinate Nevada's election laws. If we do not restore these two positions, it will result in a 42-percent reduction in the staff needed to run elections.

COCHAIR MATHEWS:

I am convinced you need these positions but do not know where you will get the funding.

MR. MILLER:

We have made some difficult decisions in eliminating nearly \$1.5 million from our budget. We are confident the budget submitted will allow us to meet our constitutional and statutory obligations.

COCHAIR MATHEWS:

If there are no further questions, we will now discuss the budget of the Gaming Control Board (GCB).

GAMING

Gaming Control Board – Budget Page GAMING CONTROL BOARD-1 (Volume II)  
Budget Account 101-4061

DENNIS K. NEILANDER (Chairman, State Gaming Control Board):

I have provided the Committee with copies of our Budget Presentation ([Exhibit D](#), original is on file in the Research Library). We have some modest enhancements included in the Governor's recommended budget. The first three Decision units, E-710, E-720 and E-175, are primarily for equipment.

E-710 Replacement Equipment – Page GAMING CONTROL BOARD-8

E-720 New Equipment – Page GAMING CONTROL BOARD-9

E-175 Increase Non-Gaming Business – Page GAMING CONTROL BOARD-4

As you can see in the budget presentation, the bulk of funding for these enhancements will come from fees generated by the GCB. Much of the equipment requests were authorized in the 2007 Legislative Session. In the process of ramping up our gaming laboratory, we were not fully billing our customers for service fees. We are now billing and should be capable of making these purchases with little effect on the General Fund.

Decision unit E-250 is a request to relocate our Reno office in the event of not renewing the current lease. We are currently in a dispute with our landlord and the lease ends during the interim. We will revert the \$25,000 in moving costs to the General Fund if we do not relocate the office.

E-250 Working Environment and Wage – Page GAMING CONTROL BOARD-4

We have two categories in our equipment requests. The fee-based equipment does not affect the General Fund and is primarily for the gaming device laboratory. This represents approximately 98 percent of the funding requested. The General Fund equipment consists of items needed to meet other State laws and Occupational Safety and Health Administration (OSHA) regulations. This represents about 2 percent of the requested funding.

The gaming-laboratory hardware we request is divided into three categories. The testing equipment is used to test gaming devices in a laboratory environment. The other categories are repair equipment and hardware associated with the computer programs we use.

COCHAIR MATHEWS:

I noticed they now have card counters on iPods. Do you test them in this type of laboratory?

MR. NEILANDER:

Yes, we test all types of gaming and cheating devices. Another portion of our new laboratory equipment will be used for remote access which allows applicants access to our laboratory through a secure broadband connection. This will allow gaming licensees and applicants to communicate with the laboratory without having to physically visit the facility and be escorted while on site. Licensees can submit equipment and systems, then track the progress of their submissions and establish where they are in the testing process.

SENATOR COFFIN:

What is the status of the equipment you acquired to remotely analyze Erasable Programmable Read-Only Memory (EPROM) devices for tampering?

MR. NEILANDER:

In the past, we had to open the machine to analyze the EPROM device and compare the findings with the records we have for the circuit board. Now, with many of the devices integrated into a network system, the equipment is used to test the network system instead of individual EPROM devices.

Our forensic program focuses primarily on stand-alone personal computers. The upgrades we are requesting will expand our capability to conduct forensic analysis of networks. This is critical because our laboratory works in conjunction with our other divisions. When we need to perform a forensic examination of a network system while conducting an investigation, the forensic laboratory assists the Investigations Division or the Enforcement Division.

Decision Unit E-251 requests increased travel and training included in the Governor's recommended budget. This will allow laboratory personnel to spend more time in the field inspecting devices.

E-251 Working Environment and Wage – Page GAMING CONTROL BOARD-4

Decision Unit E-806 is for a reclassification of a supervisor position to a hearings officer position. Because the majority of our hearings are conducted in southern Nevada, we do not have a hearings officer in the northern part of the State. This supervisor has been conducting northern hearings and should be reclassified as a hearings officer.

E-806 Unclassified Position Salary Increases – Page GAMING CONTROL BOARD-9

COCHAIR MATHEWS:

Can you tell the Committee about the continued funding for the senior research analyst in the Gaming Commission budget?

Gaming Commission – Budget Page GAMING CONTROL BOARD-12 (Volume II)  
Budget Account 101-4067

MR. NEILANDER:

The Commission has five part-time members who meet once each month to review recommendations from the GCB and act as the final word in licensing and disciplinary matters. The research analyst is the Commission's only professional staff and is functioning well in this position.

COCHAIR MATHEWS:

Can you explain the increase in travel funding?

MR. NEILANDER:

Travel funding was placed into the budget to allow commissioners to attend conferences without spending personal funds. Nevada gaming is now a global business driven by worldwide events. This increase is included to facilitate participation in global meetings with an international group of regulators.

For example, we recently completed an investigation of a large publicly traded company based in Australia, Crown Limited, that is purchasing a portion of Fontainebleau Resorts and has purchased the Cannery Casino Resorts'



properties in Las Vegas. This is Crown's first entrance into the U.S. markets and we have spent a great deal of time with our counterparts in Australia to understand how gaming operations are regulated there.

The Commission budget has one enhancement, E-710, to replace a computer for the budget's one staff member.

#### E-710 Replacement Equipment – Page GAMING CONTROL BOARD-14

A summary of reductions included in the Governor's recommended budget can be found on page 12 of the Budget Presentation ([Exhibit D](#)). We have been required to eliminate 32 positions. We began freezing positions in response to the economy turning downward over a year ago and currently have 27 unfilled positions. In addition to the position eliminations, budget reductions include the temporary 6-percent pay reduction, suspension of merit increases, suspension of longevity payments and the implementation of the Spending and Government Efficiency Commission (SAGE) recommendations.

SENATOR RAGGIO:

Will these reductions result in any actual layoffs or are these positions already vacant?

MR. NEILANDER:

We currently have 27 positions unfilled and will deal with the other 5 positions between now and July 1. We are confident we will not need to lay anyone off. The Gaming Commission's budget does not have the ability to reduce spending, so we have essentially absorbed the Governor's recommended reductions into the budget of the GCB.

Page 16 of the Budget Presentation ([Exhibit D](#)) shows historic agency staffing levels since 1991 when the first of three big booms occurred on the Las Vegas Strip. The Excalibur Hotel Casino was built in 1991 which was followed by the MGM Grand Hotel and Casino and the Mirage Resort and Casino. We had 389 FTEs at that time and our staffing level is currently at 461. With the reduction of 32 FTEs recommended in the Governor's budget, we will be reduced to 429.

The GCB has always operated on a lean budget, so these cuts are difficult. We have been able to keep up with the growth in the gaming industry with little reliance on the General Fund.

SENATOR COFFIN:

I am concerned with these staff reductions. With the downturn in the economy, the gaming industry has also reduced staffing levels. Criminals will take advantage of reductions to the GCB and casino security staffs.

SENATOR RAGGIO:

What impact will staff reductions have on your responsibilities and procedures? I am particularly interested in the impact on audit cycles.

MR. NEILANDER:

Page 21 of the Budget Presentation ([Exhibit D](#)) shows the impacts of these cuts to each Division. Three of the GCB's seven Divisions generate significant revenue for the State which is passed through to the General Fund. Those three

Divisions are: the Investigations Division which does all of the pre-licensing investigations for applicants; the Corporate Securities Division which continuously monitors publicly traded companies after they are registered and licensed; and the Technology Division where manufacturers submit equipment and systems to the GCB for approval.

I am not in a position to affect those three Divisions when considering the budget situation, as freezing positions in any of those Divisions would reduce contributions to the General Fund. In a poor economy, we cannot hinder the industry when it is trying to recover. The Investigations Division must keep up with the application process for businesses to continue functioning.

Because budget and staff reductions cannot be made in those three revenue-generating Divisions, there is a disproportionate impact on divisions within the GCB that do not bill for services. Because of this, the Audit and Enforcement Divisions will feel the major impact of budget reductions.

The Audit Division's audit cycles will increase to three years with the recommended staffing reductions. The ideal audit cycle is every 2 years and we are currently on a 2.3-year cycle. Over half of the Division's employees are Certified Public Accountants (CPAs). When we conduct an audit, we render a full-scope opinion. The work auditors do for the GCB qualifies them to earn a CPA license because they are supervised by licensed CPAs. We are certified by the State Board of Accountancy and audited by them once a year to ensure our program is in compliance with State laws and regulations.

When we conduct an audit and find a company owes additional tax revenue, the company has to pay interest on the taxes owed. The State loses tax revenue and there is more cost to the licensee when we wait longer to perform audits. In this recent era of mergers and acquisitions, functions are being consolidated when we have turnovers at the licensee level. One person making a mistake for the long period of time between audits could affect nine different properties. There are a myriad of problems that come with lengthening the audit cycle.

The way the Enforcement Division is currently structured, we will have four to six FTEs eliminated. We have over 2,700 licensees to monitor and are not on their properties as much as we would like to be. These staff reductions will decrease our physical presence on these properties and delay our response times. We are also thinly staffed in the rural areas with one office in Elko servicing all of the rural portions in the northeast part of the State. We have considered closing an office or reducing our 24/7 shift responsibilities, but those solutions are not practical. We will probably lengthen our response times for patron disputes, responding to calls rather than being proactive in terms of the way we inspect devices in the conduct of gaming.

SENATOR HARDY:

There seems to be an assumption in the *Executive Budget* that, with a downturn in the economy, there is a reduced caseload and requirement for regulation. Are reduced caseloads due to the downturn in the economy offset by your increased workload due to recent mergers and acquisitions?

MR. NEILANDER:

Yes. We foresee an increase in large and small companies struggling with covenant and liquidity problems. Their financial solutions to these problems will require receiving the GCB and Gaming Commission approval. Yesterday, I spent three hours reviewing a new corporate structure I have never seen before which is proposed in the context of a bankruptcy.

SENATOR HARDY:

The work to be done regarding mergers and acquisitions now is completely different than the work needed during boom cycles. There needs to be more skepticism in audit procedures concerning the inner workings of these corporations in difficult economic periods. When the workload is reduced in one area, it sometimes becomes more intense and more important in others. Now is not the time to let our guard down.

COCHAIR MATHEWS:

I agree with Senator Hardy on this issue. This is why I question the large reduction in staffing.

MR. NEILANDER:

The impacts of budget reductions are not as drastic in revenue-generating positions. The impact of proposed compensation reductions is of particular concern to our agency. We have approximately 200 certified professionals possessing bachelors degrees, or more extensive levels of education, employed by this agency. With Legislative support, we have a credential-pay plan which is being cut in the Governor's proposed budget. If an employee obtains a CPA license, passes the State bar examination or becomes a certified engineer, extra compensation is awarded. This has been a great tool for recruiting and retaining employees.

An employee who receives credential pay can earn up to an additional \$5,000 each year. Under the Governor's proposed budget, employees will take a 6-percent pay reduction, lose their longevity and credential pay and have benefits reduced under the SAGE Commission recommendations. Some of our long-term employees will have 13- to 17-percent reductions in pay and benefits.

We have tried to build a workforce that is qualified, highly educated and, in some instances, certified in their professions. Within the last two weeks, two of the agency's senior employees announced their retirements and indicated a large factor in their decisions was based on reductions that may occur in benefits and salary. In the case of just these two retirements, the agency will lose 60 years of regulatory experience and institutional knowledge.

I recognize the Administration and Legislature are in difficult positions, but these compensation reductions will cause problems for the agency in terms of retaining qualified employees.

COCHAIR MATHEWS:

Some of the public is under the impression these measures amount only to a 6-percent reduction in salary, but most State employees' salaries and benefits will be impacted by twice that amount if not more.

MR. NEILANDER:

Our computer network runs on a parallel track with a personal computer-based Oracle system and an old Common Business-Oriented Language (COBOL) system we developed and, for security purposes, wrote all of the programs. We need to transfer the data from the COBOL system to the new system. The COBOL system is over 25 years old, the hardware is 11 years old and the system will no longer be supported by the vendor.

Each Session, we have unsuccessfully attempted to acquire funds to facilitate transferring the data from the old system. I realize this is not a good time to request significant funding for computers, but this is critical and will become a major problem at some point if not addressed.

COCHAIR MATHEWS:

I do not know what can be done at this time but will keep this request in mind.

MR. NEILANDER:

We will provide your staff with various methods and levels of funding required for maintaining the integrity of the system.

SENATOR RAGGIO:

I would like to disclose and note, for the record, that I am a member of the board of directors of Archon Corporation which is licensed for gaming in the State of Nevada.

SENATOR COFFIN:

I would like to disclose and note, for the record, that some of my clients are gaming license holders.

COCHAIR MATHEWS:

If there are no further questions, we will now discuss the budgets of the Western Interstate Commission for Higher Education (WICHE).

W.I.C.H.E. Administration – Budget Page WICHE-7 (Volume I)  
Budget Account 101-2995

RON SPARKS, II (Executive Director, Western Interstate Commission for Higher Education):

The mission of the WICHE is to carry out the goals, objectives and programs as provided for in the WICHE's multi-state regional compact. The compact is responsible for providing higher educational opportunities and sharing resources to enhance the workforce development in the member's states. Through this compact and the Nevada System of Higher Education (NSHE), Nevada WICHE is able to provide educational and financial assistance to Nevada citizens and return to the State highly trained, qualified professionals in areas of established need.

The various programs we operate are the Western Undergraduate Exchange Program, the Western Regional Graduate Program (WRGP), the Professional Student Exchange Program, the Health Care Access Program (HCAP) and the Health Care Access Loan Repayment Program. We have provided the Committee with documentation and charts related to the WICHE and these programs ([Exhibit E](#)).

The major highlight in this presentation is the recommendation by the Governor to transfer the agency to the NSHE. This is a result of the SAGE Commission's recommendations. The *Executive Budget* proposes the transfer of responsibilities for the administration of the WICHE to the NSHE.

The Governor recommends eliminating funding for the existing director and accounting technician positions. The Commission is in support of the transfer recommendation; however, the Commission and the NSHE Administration recommend WICHE-specific fiscal activities should remain in a distinct and separate budget within the NSHE accounts.

Positions recommended by the Governor to be transferred to NSHE are a program officer II and a half-time program officer I. After preliminary discussions with the NSHE administration members, it is believed non-WICHE-specific fiscal tasks can be transferred to the NSHE with a significant net savings in FTE costs.

The Commission recommends transferring the program officer II position, reinstating the accounting technician position to full-time status and eliminating the half-time program officer I position. The accounting technician is responsible for the WICHE-specific fiscal oversight of the program. It is further recommended the program officer II position be given a 5-percent salary increase due to the additional duties of becoming the lead position in the agency as a result of the elimination of the director and program officer I positions.

CARL L. SHAFF (Executive Commissioner, Western Interstate Commission for Higher Education):

I would like to note we recommended eliminating the executive director and program officer I positions in May and June 2008. It is important the Committee considers reinstating the full-time accounting technician position to deal with the everyday fiscal responsibilities. It would be virtually impossible for the NSHE to handle dealing with the WICHE-related financial issues of our students.

COCHAIR MATHEWS:

I have discussed this issue with our fiscal staff, and we are considering the importance of keeping a full-time accountant position for WICHE-related issues.

JANE A. NICHOLS, ED.D. (Vice Chancellor for Academic and Student Affairs, Nevada System of Higher Education):

We did not request this merger but, after consideration by the WICHE and NSHE staffs, we believe this consolidation of agencies will result in efficiencies. We will be asking for a change from the Governor's recommended 1.51 FTEs to 2.20 FTEs in the NSHE budget which is still a reduction from 3.51 FTEs. Our fiscal analyst II is a non-State position funded through other institutions for the administration of NSHE operations. It would be a conflict for this position to support WICHE-related assignments.

We believe the request of 2.20 FTEs for overall WICHE-related staffing as it moves to the NSHE budget is appropriate. That cost to restore the WICHE Administration budget to this level is approximately \$57,000 for the biennium.

I would like to express my appreciation to the Governor for not cutting the WICHE program. The cuts have all come to the NSHE and WICHE

administrations and we believe we can make this program work with those adjustments.

SENATOR RAGGIO:

In B/A 614-2681, there is a reduction of three approved student slots. Is it true those would have been new student slots and will not affect existing students?

W.I.C.H.E. Loan & Stipend – Budget Page WICHE-1 (Volume I)  
Budget Account 614-2681

MR. SPARKS:

Yes. This reduction will not affect any of the currently-enrolled students.

SENATOR RAGGIO:

Mr. Sparks, does the chart you provided in [Exhibit E](#) show the number of participants in the program and from where they came?

MR. SPARKS:

No, the chart represents the locations where our students are currently practicing.

COCHAIR MATHEWS:

Why are we still paying for student slots for pharmacy, nursing, physical therapy and dental programs not located in Nevada?

MR. SPARKS:

The HCAP was developed to work with students in and outside of Nevada to make certain underserved people get health care. As a whole, Nevada also has an underserved need for professional services such as nursing. We are trying to ensure students who attend our universities in and/or out of the State will return to Nevada to work with the underserved. The professional fields you referenced are fields we have a need for in Nevada.

We are in the process of reviewing our program with the Nevada Office of Rural Health. One of the statistics from the review is four out of five WICHE participants stay within the State of Nevada after they have completed their obligations.

DR. NICHOLS:

To further clarify, the model you reference is the traditional WICHE model that is a part of our compact with the other western states. We think of it as a professional student exchange program in which we exchange both undergraduate and graduate students with other states. We focus on the professional programs which are insufficiently available in Nevada, such as optometry, pharmacy and veterinary medicine. The HCAP has enabled us to get the professionals we desperately need in underserved rural and urban areas.

COCHAIR MATHEWS:

Do you have data on students who return to practice in rural areas?

MR. SPARKS:

Yes. There was an independent Economic Impact Study performed by the Nevada Office of Rural Health containing that sort of information. We will provide the report to your staff as soon as possible.

MR. SHAFF:

We just received the report this morning and will make copies available to the Committee and your staff.

COCHAIR MATHEWS:

The medical schools say they cannot get doctors and nurses to practice in the rural areas. How does WICHE get professionals to practice there?

MR. SHAFF:

Two years ago, 16 of the 45 applicants for the nursing program were from rural areas and applied to the program with the ambition of returning to their communities to serve in the nursing profession.

SENATOR RAGGIO:

What is the status of delinquent loans?

MR. SPARKS:

The number of students in default has not increased and all current delinquent loans have been submitted to the Office of the State Controller to begin the collection process. We will provide the Committee with a list.

SENATOR RAGGIO:

Can you provide an approximate figure of loans in default?

MR. SPARKS:

Approximately 15 loans, with an approximate total value of \$400,000, are in default.

SENATOR RAGGIO:

Is the Controller's Office the only method being utilized to attempt collection? Do you have direct contact with the individuals in default?

MR. SPARKS:

Yes, we do. We have a six-month process for collecting these debts before we submit them to the Controller's Office.

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COCHAIR MATHEWS:

There being no further business before the Committee, the meeting is adjourned at 9:30 a.m.

RESPECTFULLY SUBMITTED:

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Michael Bohling,  
Committee Secretary

APPROVED BY:

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Senator Bernice Mathews, Cochair

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