

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-fifth Session
March 4, 2009**

The Senate Committee on Finance was called to order by Cochair Bernice Mathews at 8:05 a.m. on Wednesday, March 4, 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:

Steve J. Abba, Principal Deputy Fiscal Analyst
Brian M. Burke, Principal Deputy Fiscal Analyst
Michael J. Chapman, Senior Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Patricia O'Flinn, Committee Secretary

OTHERS PRESENT:

Michael E. Skaggs, Executive Director, Nevada Commission on Economic Development
Charles Geocaris, Director, Nevada Film Office, Nevada Commission on Economic Development
Rick Horn, Director, Procurement Outreach Program, Nevada Commission on Economic Development
Stephen C. Woodbury, MPA, Interim Director, Nevada Commission on Tourism
Janet M. Geary, Publisher, *Nevada Magazine*, Division of Publications, Nevada Commission on Tourism
David R. Gamble, District Judge, Department I, Ninth Judicial District
Larry Carter, Assistant Director, Department of Juvenile Justice Services, Clark County
Andrew Clinger, Director, Department of Administration
Steven J. Thaler, Director, China Spring Youth Camp and Aurora Pines Girls Facility
Scott Shick, Representative, Juvenile Justice Commission
Carey Stewart, Division Director, Washoe County Juvenile Services
Roger W. Sayre, Chief Juvenile Probation Officer, Lyon County

COCHAIR MATHEWS:

The first order of business is a Committee introduction of a bill.

BILL DRAFT REQUEST S-1220: Makes an appropriation to the Department of Health and Human Services to create the Nevada Autism Task Force and to provide funding for certain autism programs and services. (Later introduced as [Senate Bill 171](#).)

SENATOR HORSFORD MOVED TO INTRODUCE BDR S-1220.

SENATOR HARDY SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR RAGGIO WAS ABSENT FOR THE VOTE.)

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SENATOR COFFIN:

My support for introduction of this bill should not be construed as support of this legislation in a fashion superior to any programs already existing that may have been cut from the *Executive Budget*.

COCHAIR MATHEWS:

We will open the hearing on the Division of Economic Development.

COMMERCE AND INDUSTRY

ECONOMIC DEVELOPMENT AND TOURISM

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

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

I will follow the written outline distributed to you ([Exhibit C](#), original is on file in the Research Library). The Nevada Commission on Economic Development (NCED) fulfills several functions: business development; global trade; rural economic development; marketing; Nevada Film Office; Procurement Outreach Program; protocol; and administration of Community Development Block Grants. The NCED has offices in Carson City and Las Vegas with designated partners in every county to expedite communication within those counties. These affiliated economic development authorities serve a variety of functions, but most are quite small, except the Nevada Development Authority (NDA) in Clark County and the Economic Development Authority of Western Nevada in Washoe County. The NCED supports these entities with business development prospects, procurement outreach, global trade and the full range of activities pursued by the NCED.

The intent of the NCED is to diversify the State's economy away from a dependence on the gaming industry. The plan is working. The labor market has grown since 1992, but the percentage of gaming employment has fallen from 22 percent to 16.6 percent, as shown on page 4 of [Exhibit C](#). The NCED assists this diversification by focusing on four basic strategies: retention and expansion of existing businesses to create jobs; start-up facilitation of companies exporting 50 percent of products or services to create jobs; business recruitment to create jobs; and developing communities to be competitive in a global economy.

These four basic strategies support the platform of renewable energy development in the State of Nevada. The NCED does not have the resources to support 10 or 20 economic clusters to develop across the State. Identification of an opportunity, sometimes called a problem, in the market is the first step in the designation of a development cluster. Growing a renewable energy sector for this nation to lessen our dependence on foreign oil imports is the opportunity we have identified. Companies and capital are attracted to this problem and these markets. Technology commercialization goes hand-in-hand with this opportunity. The future economy of this State should be propelled by the research universities and the Desert Research Institute.

The current unemployment across the State is disturbing (see page 5 of [Exhibit C](#)). The highest rate of unemployment is in Lyon County at 12.1 percent. Nye County is at 11.1 percent. There is a high concentration of unemployment surrounding Carson City: Douglas County at 9.5 percent; Mineral County at 8.6 percent; Storey County at 9.6 percent. The northeast corner of the State has the lowest unemployment rate of any region: Elko County at 4.9 percent; White Pine County at 5.6 percent. The mining communities are stable, even growing. The NCED is assisting these counties with a mining cluster development to bring in more suppliers. The current emphasis of the NCED is to deliver services to the areas of most need. There are 128,100 people unemployed in the State of Nevada.

For fiscal year (FY) 2008-2009, the NCED's operating budget, less the pass-through grants, was \$2 million. The proposed budget for FY 2009-2010 is \$1.8 million and for FY 2010-2011 is \$1.3 million. The NCED will need to make adjustments due to these budget reductions.

In FY 2007-2008, the NCED assisted 72 companies to begin or expand operations. These companies created 1,961 new jobs at an average wage of \$20.59 an hour. The companies the NCED works with have to pay an above-average wage to receive our incentives. We will facilitate some projects in which the wage level does not meet this standard, but the company offers full benefits. For the TELUS project in Las Vegas, we worked with them to secure a location, but we did not incentivize them. For the current year, the agency has located 13 companies which have created an economic impact for Nevada of \$197 million. The NCED was awarded \$173,200 in U.S. Department of Agriculture grants to conduct sales missions in FY 2007-2008. Collectively, the businesses that participated in these sales missions brought \$4,935,000 in international sales to Nevada. According to U.S. Department of Commerce statistics, exports from Nevada currently support approximately 87,000 jobs paying 17 percent more than similar non-export jobs.

The core business development activities conducted under this budget category generate an exponential return to Nevada's economy. The NCED's performance indicators measure outputs of its internal activities leading to positive outcomes of economic impact. Staff reductions will limit the Agency's ability to perform, particularly in the areas of global investment and development in the rural counties.

The Nevada Film Office publishes an annual directory ([Exhibit D](#), original is on file in the Research Library) that is distributed to every production company that does business in the State. This directory contains listings and advertisements for Nevada businesses that offer goods and services to the film industry, from accommodations to warehouses. The Nevada Film Office is one of the most successful film commissions in the United States. It shows a return on investment ratio of 145:1 for revenues received versus budget dollars allotted. For example, an average motion picture creates a daily economic impact of \$125,000.

COCHAIR MATHEWS:

How many film productions come to Nevada each year?

CHARLES GEOCARIS (Director, Nevada Film Office, Nevada Commission on Economic Development):

We assist approximately 400 projects annually.

COCHAIR MATHEWS:

How many days is each of those projects in Nevada?

MR. GEOCARIS:

Each project varies. Some may film in Nevada for several days, others for just one day. Total film days average in the thousands each year.

COCHAIR MATHEWS:

How much money comes in each year?

MR. GEOCARIS:

Last calendar year \$110 million came in.

MR. SKAGGS:

The film industry is an integral part of the economic development of the State of Nevada. The NCED will work with the Budget Director to create an amendment to the budget to fund the Film Office from the General Fund to correct the *Executive Budget* which uses room tax revenues that will henceforth be directed to the General Fund.

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

This is fundamentally infrastructure spending: water and sewer projects; roads; and industrial parks. The Community Development Block Grant (CDBG) program acts as a catalyst to leverage public and private funds for the betterment of rural Nevada. During FY 2007-2008, the CDBG was able to award \$5.8 million in federal funds to 46 projects. The CDBG funds leveraged an additional \$15 million from public and private sources. Appropriation for FY 2009-2010 from the General Fund for this budget is \$251,286. Fiscal year 2009-2010 appropriations from the federal Housing and Urban Development (HUD) are \$2,752,188. The Agency just learned this year that the CDBG funds can be used for strategic development. It is important the rural counties develop flexible strategic plans as they move forward into the new economy.

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

The Procurement Outreach Program helps develop government contracts for Nevada businesses, including introducing new companies to the system. As part of its match agreement formula with the Defense Logistics Agency, this program requires an approximate annual allocation of \$88,000 from the State's General Fund. That General Fund expenditure will bring in \$425,725 in federal funds from the United States Department of Defense (DOD) in FY 2009-2010 and FY 2010-2011. Voluntary reporting of only 11 percent of participants shows these contracts represent approximately 2,400 jobs and \$120 million in annual wages.

COCHAIR MATHEWS:

What restrictions are put on the DOD funds?

RICK HORN (Director, Procurement Outreach Program, Nevada Commission on Economic Development):

This is a cooperative agreement between the State of Nevada and the DOD. The funding is limited by the type of program. The initial agreement in 1986 was solely with the DOD, but it has expanded to include State, county and other local governments.

COCHAIR MATHEWS:

Can you give us an example of a contract?

MR. HORN:

The Procurement Outreach Program creates the tools for businesses to access the contract opportunities and teaches them how to navigate the application process.

MR. SKAGGS:

Finally, I would like to comment on the proposed merger of the NCED and the Office of Tourism. The savings directly to the NCED will be approximately \$13,000 in FY 2009-2010. The savings in FY 2010-2011 and moving forward will be about \$85,000 annually. The lower amount of savings in the first year reflects the reallocation of costs required by the merger. The NCED is concerned that the proposed merger does not interrupt services. Demand for Agency services is at a peak, and we do not want to miss any opportunities to attract businesses, jobs and revenue into the State of Nevada.

The NCED has crafted a new economic development strategy for the agency to cause the creation of new jobs and the attraction of a new tax base. We are working with 25 companies that will make a location decision in the next 2 months. They represent about 2,500 jobs. One hurdle we face repeatedly is capital markets. Companies have difficulty getting financing to buy equipment or the buildings. As soon as the capital markets settle and reliable financing sources return, the job growth in this State will take off in a hurry.

Next week, on March 15th, the NCED will launch a campaign in California targeting 600 companies. That date is significant because in California it is the day corporate income tax is due; in Nevada, it is a bank deposit. We want to remind our neighbors of that opportunity to move their production space to

Nevada. Some other projections for the biennium include: non-precious metal exports to increase by \$320 million; 360 new jobs created by foreign investment; increase federal contract awards by \$40 million; add 90 new government contractors to the system; attract a state-of-the-art film studio to Las Vegas; complete 3 community assessments in rural counties each year; dedicate \$250,000 in CDBG funding to entrepreneurial development in rural areas of the State; and institute a formal customer satisfaction plan, including a rapid response system for legislative inquiries.

Within each of the areas outlined previously, the NCED will promote business opportunities in every Nevada community driven by renewable energy, future-based technology and human ingenuity. Through collaboration and strategic alliances, Nevada will become the national model for economic and community prosperity by 2015.

COCHAIR MATHEWS:

How many jobs have you created in the first eight months of your tenure?

MR. SKAGGS:

Including the 1,000 people hired by TELUS, 1,400 jobs have been created in that time.

COCHAIR MATHEWS:

In which industries have those jobs been created?

MR. SKAGGS:

TELUS is a bilingual telecommunications support center. Thirty percent of our projects are in renewable industry, or have renewable applications. For example, there is a company that uses geothermal heat to drive generators. Most of the recent activity is in manufacturing. The State has industrial space available at good prices, along with a highly skilled workforce. Average manufacturing wages are about \$40 an hour.

COCHAIR MATHEWS:

Discuss the proposed merger in more detail.

MR. SKAGGS:

Tourism is a component of economic development dealing with attracting visitors. The NCED is concerned with growing and attracting businesses. They are two different markets. There is not a lot of duplication in job descriptions between the two entities because staff development has focused on the different customer bases. There are duplicative positions in administrative and internal support services such as accounting, reception and senior management.

COCHAIR MATHEWS:

Are the policy issues the same for both organizations?

MR. SKAGGS:

They are quite a bit different because the customer bases are different. The strategies used to draw visitors are not the same as those used to attract businesses.

COCHAIR MATHEWS:

We will open the hearing on the Nevada Commission on Tourism (NCOT).

Tourism - Tourism Development Fund – Budget Page ECON DEV &
TOURISM-27 (Volume II)
Budget Account 225-1522

STEPHEN C. WOODBURY, MPA (Interim Director, Nevada Commission on Tourism):
I will provide an overview of the Commission and then highlight each Department and address the impact of the proposed budget reductions ([Exhibit E](#)). The purpose of the NCOT is to increase travel and tourism to the State and, ultimately, to generate revenue for the State. The NCOT is the only entity promoting the entire State with an emphasis on rural Nevada.

The Marketing and Advertising unit creates and maintains Nevada's brand and promotes our tourism attractions. We advertise in print, television, radio and on the Internet to drive traffic to the State's Websites. This Department also fulfills consumer requests for information. We generate \$20 in State and local taxes for every dollar spent on advertising. The mobile Web is an area to which we have devoted significant resources. The mobile Web enables users to get Internet information on their cell phones or BlackBerries. The NCOT launched our first mobile Website last September. This site provides up-to-date ski, road and weather conditions. The world's largest wireless trade show, CTIA, will feature Nevada's mobile Website at its annual convention in Las Vegas next month.

COCHAIR MATHEWS:
How many people attend that trade show?

MR. WOODBURY:
CTIA has 40,000 attendees from over 145 countries.

The Sales and Industry Partners unit administers the Rural Grant Program which assists rural Nevada with matching grants to promote its tourist attractions and provide technical assistance. The funds we provide often constitute the entire tourism marketing budgets for these small communities. We sell Nevada as a tourist destination at major travel trade shows both domestically and internationally. We oversee international representatives in key markets. Earlier this year, we partnered with the Las Vegas Convention and Visitors Authority to negotiate new agreements for international representation. Without increasing costs, we acquired additional representation in our leading international markets. These offices get news coverage, provide information on the Internet, distribute brochures, conduct sales missions and bring groups of travel journalists and tour operators to Nevada.

COCHAIR MATHEWS:
Can you give the Committee some examples of those markets?

MR. WOODBURY:
Currently, the strongest international markets are in the United Kingdom, Canada, China, Japan, South Korea and Mexico. Last week, we hosted a group of travel journalists from South Korea in the Reno/Tahoe area. They will write about their experiences and publish their stories and pictures in newspapers and magazines. This will encourage other South Koreans to visit Nevada and spend their money here. The United States granted Visa Waiver Status to South Korea last November. Flights from South Korea to the United States have subsequently increased, although flights from many other countries have

decreased. The Commission seized this opportunity to get their business. This illustrates the need to be responsive to current market conditions and opportunities.

The Media Relations unit visits travel journalists, newspapers and magazines to pitch stories about Nevada and conduct tours to familiarize them with Nevada's attractions. These efforts generate stories at little cost to the Agency. Last year, we generated news and travel stories about Nevada valued at \$48 million, the cost of the equivalent advertising space.

With fewer flights and a struggling economy, the competition for tourism dollars is extreme. During this time of intense competition, it is critical we use every available dollar to aggressively market the State. Visitation to Nevada was down by 6.2% in calendar year 2008, ending with 51 million visitors. However, many people are still travelling and we need to aggressively promote to them or they will go somewhere else. The economy of Nevada is more dependent upon tourism dollars than any other state in the country. Nearly one-third of all employment in Nevada is tied to tourism. Yes, we need to diversify the economy, but we also need to sustain our number one industry.

In the current year, the Commission cut \$3 million to increase our reserve for reversion to the General Fund to comply with A.B. No. 1 of the 25th Special Session. In late fall 2008, \$1.5 million was cut from our budget due to lagging room tax receipts. In addition to these cuts, and based on the latest room tax projections from January and February, we are in the process of cutting another \$868,000 from the budget for FY 2008-2009. This year we have scaled back our Rural Grant Program, cancelled the Governor's Conference, eliminated our advertising agency and public relations contracts, cut travel, television commercials and sponsorship of various events throughout the State. We have also held vacant positions open.

The *Executive Budget* includes additional recommendations to help ease the shortfall. The first recommendation is the merger of the NCOT and the Division of Economic Development. The NCOT's share of the savings would be an estimated \$115,000 in the first year and \$185,000 in the second year of the biennium. The second recommendation is to change the NCOT's funding source from a dedicated percentage of room tax, currently 0.375 percent, to a General Fund appropriation. The third recommendation is to decrease overall funding for the Agency by approximately 60 percent, including elimination of one-third of the NCOT's staff.

This budget reduces or eliminates numerous program activities. Nine positions in budget account (B/A) 225-1522 are scheduled to be eliminated and the duties discontinued or absorbed by other staff. Seven of these eliminations will result in layoffs.

Without these positions, we will be less able to sell Nevada as a tourism destination, assist rural Nevada through the Rural Grants Program, develop social and interactive media and marketing tools, conduct research and provide internal administrative support. In addition to these reductions, the budget proposes to transfer two positions, an art director and a project analyst, from B/A 530-1530 to B/A 225-1522.

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

This transfer is essentially a housekeeping item, as these positions are currently funded from B/A 225-1522. Budget account 530-1530 also reduces funding to purchase publications and editorial services from *Nevada Magazine*. Four *Nevada Magazine* positions would be eliminated as a result.

Updated performance indicators reflect revised projections based on the funding provided in the *Executive Budget*. The measures proposed in this budget will create some savings, but they will have an impact on consumer awareness of the State of Nevada as a tourist destination and will affect our market share. Rural Nevada will be most heavily impacted. Specific impacts of the proposed budgets include: reducing advertising placements by over \$2 million over the biennium; cutting the Rural Grants Program by more than half; conducting fewer familiarization tours with travel journalists and tour operators; eliminating or reducing brochures for consumers; fulfilling 244,000 fewer consumer requests; eliminating all cooperative advertising for special events such as the Reno-Tahoe Open golf tournament; participating in fewer trade organizations such as the Western States Policy Council; eliminating or reducing visitor profile and other research used to improve marketing campaigns; promoting the State at fewer industry events; reducing the number of representative offices in key international markets; and discontinuing support for the Reno-Tahoe Winter Games Coalition. The result of these changes will be lower awareness of Nevada as a tourist destination and thus less tourism-generated State and local tax revenue.

You have copies of our room tax projections ([Exhibit F](#)). We project to end FY 2008-2009 with \$16.2 million in room tax receipts, down about 15 percent from the prior year. For FY 2009-2010, we project a 3-percent decrease to \$15.7 million, then an increase of 3.35 percent to \$16.2 million in FY 2010-2011.

COCHAIR MATHEWS:

Discuss the merger with the Committee.

MR. WOODBURY:

I agree with Mr. Skaggs. We will make the merger work. There is not a lot of crossover between the functions of the two entities, but the merger will save some money in rent and administrative costs.

COCHAIR MATHEWS:

How does the decrease in airline travel affect you?

MR. WOODBURY:

Flights across the nation are down. Some international flights are up. Flights from South Korea into the United States are up about 10 percent. That is an established market we have not yet fully penetrated. However, our office in South Korea is slated for elimination. Another example is flights from Brazil are up 29 percent. We participated last fall in a mission to meet with tour operators in Brazil. We do whatever we can to take advantage of opportunities.

COCHAIR MATHEWS:

Do you work closely with the Convention and Visitors Authority and the Airport Authority in both regions of the State?

MR. WOODBURY:

Yes.

COCHAIR MATHEWS:

Tell us about *Nevada Magazine*. Is it not a revenue producer?

MR. WOODBURY:

The magazine is a self-sustaining entity.

JANET M. GEARY (Publisher, *Nevada Magazine*, Division of Publications, Nevada Commission on Tourism):

The goal of *Nevada Magazine* is to educate the general public about Nevada and to foster awareness and appreciation of Nevada's heritage, culture, history and natural beauty. The Division of Publications also publishes an entertainment magazine titled *Events & Shows*. Copies of both publications have been distributed to you ([Exhibit G](#), original is on file in the Research Library). Ninety-seven thousand copies are printed bimonthly and distributed throughout the State, including seventy-five thousand copies at the Las Vegas airport. We are a self-funded agency. We receive no General Fund appropriations. We rely on advertising and subscription sales to offset the expense of publishing our magazines.

Previously, the NCOT has purchased magazines for inclusion in their fulfillment packages and has paid for the printing of *Events & Shows*. They also used the *Nevada Magazine* editorial staff to write their travel guide and edit their Website. If the NCOT budget remains as proposed, they will no longer purchase *Nevada Magazine*, pay for the printing of *Events & Shows* or use our editorial staff. They will instead purchase 12,000 copies of *Events & Shows* for their fulfillment packages.

To accommodate this loss in revenue and the reductions in decision unit E-670, we have made a budget reduction plan.

E-670 Temporary 6% Salary Reduction – Page ECON DEV & TOURISM-40

We will reduce our printing costs by reducing our paper quality and printing fewer magazines. Additionally, staff will be reduced by four out of eleven individuals. Building rent will be reduced by moving offices. Postage expenses will be reduced. We will eliminate contracts with freelance journalists and photographers.

COCHAIR MATHEWS:

It sounds as if you will be down to the bare bones.

SENATOR RAGGIO:

I am concerned about the potential for this magazine losing its luster. Can you explain the reduction of single-issue sale revenues from \$459,000 to \$68,000 each year?

MS. GEARY:

That reflects the purchase of magazines by the NCOT. Previously, they purchased 55,000 copies and they currently purchase 25,000 copies. In the proposed budget, they will not purchase any magazines. In addition, the NCOT will no longer pay the printing costs of *Events & Shows*, but will purchase 12,000 copies for use in their fulfillment packages.

SENATOR RAGGIO:

Does the reduction in circulation affect your advertising revenues?

MS. GEARY:

It should. We are looking at other ways to keep that revenue by selling additional advertising on our Website, nevadamagazine.com, and by putting the magazine online to maintain a high level of readership.

SENATOR RAGGIO:

Will you be able to maintain the quality of the magazine with this budget reduction?

MS. GEARY:

We plan to. We have changed our paper weight for a cost savings without sacrificing the quality of the magazine.

SENATOR RAGGIO:

How do these budget reductions affect the foreign offices we have?

MR. WOODBURY:

We are cutting funding for the China office by 50 percent. We will discontinue two offices: Japan and South Korea. Although most of our attention is on the domestic markets, especially the western states from which visitors can drive to Nevada, international representation is important. International travelers stay longer and spend more money during their visits.

SENATOR RAGGIO:

I know the State of Nevada has maintained an attractive office in Beijing. It was one of the only state tourism offices allowed in that city by the Chinese government. If funding for that office is reduced by half, will it remain viable?

MR. WOODBURY:

They will still have a little over \$200,000 in funding. They may be moving offices and reducing staff, but we will maintain a presence in China.

SENATOR RAGGIO:

I am concerned that the proposed budget creates loss of effort, particularly with regard to the rural counties. I wonder if we are not undermining the purpose of the NCOT. In a State whose primary industry is tourism, decimating the engine that drives it seems foolhardy.

MR. WOODBURY:

We are in challenging times. These cuts will generate some savings; there may be unintended consequences.

SENATOR RAGGIO:

In these areas which you state as the main goals of the NCOT, will you be able to effectively function?

MR. WOODBURY:

This is a skeletal budget. We will have an impact. The question is, how much of an impact do we want to have? The state of Colorado eliminated their tourism office entirely and lost 30-percent market share in two years. In the State of Nevada, we will retain a tourism office and we will continue to have an impact. The level of that impact will change.

SENATOR RAGGIO:

I understand convention business in Las Vegas has dropped off since President Obama made his remarks about unnecessary luxury business travel.

MR. WOODBURY:

True. Companies are cancelling conventions and paying cancellation fees to avoid the perception they are sponsoring a luxury event. Ironically, they often pay higher prices at other convention locations.

SENATOR RAGGIO:

This highlights the importance of the NCOT delivering the message that Las Vegas is an economical option for conventions and tradeshow.

COCHAIR MATHEWS:

How many copies of the magazine do you send to the Reno airport?

MS. GEARY:

Currently, 2,500 copies are sent to the Reno airport.

COCHAIR MATHEWS:

Are they free or are they sent to the gift shops for sale?

MS. GEARY:

The *Events & Shows* are free, but the *Nevada Magazine* is distributed for sale through the gift shops.

COCHAIR MATHEWS:

We will now open the hearing on Senate Bill (S.B.) 85.

SENATE BILL 85: Revises provisions relating to the financial support of regional facilities for the detention of children. (BDR 5-407)

DAVID R. GAMBLE (District Judge, Department I, Ninth Judicial District):

For over 20 years, the Legislature has joined with the 16 smaller counties to provide for the cost and operation of the China Springs Youth Camp and Aurora Pines Girls Facility. During each Session, you have established the State's share of the cost of the camps. For the last several Sessions, the State has contributed 36.8 percent of the cost and the counties have contributed the remaining 66.2 percent of the cost of the camps. This bill seeks to codify that sharing of costs and to firmly establish in law the State's share on a per-bed-day basis. There are two things we would like to have changed in the bill. The per-bed-day share in the original draft of the bill was \$50.93; the

current per-bed-day share for the State is \$56.90. We ask that this bill not become effective until July 1, 2011.

The bill directs the State money to be paid to the county rather than the Division of Child and Family Services (DCFS). The operating and budgeting duties for the camps devolve in part on Douglas County itself but primarily onto an advisory board consisting of representatives from all 16 northern counties. The bill requests the same funding mechanism for the Spring Mountain Youth Camp. Both China Spring and Spring Mountain Youth Camps are medium-level offender camps that have been in operation for many years. The point of these camps is that in excess of 80 percent of the boys and girls who are committed to these camps never go into State care at Elko or Caliente or other facilities. This ultimately saves money for the State.

The intention of this bill is two-fold: to codify the amount appropriated; and to give the counties, who provide over 60 percent of the funding for the camps, responsibility for operation and budgeting. The Governor would be required to include in the budget from year-to-year \$56.90 per-bed-day, adjusted for inflation using the Consumer Price Index. Spring Mountain has 100 beds; China Spring has 40 beds for boys and 16 beds for girls, although 20 beds for girls are available.

COCHAIR MATHEWS:

These facilities are already budgeted for this year. Is this in addition to those funds?

DISTRICT JUDGE GAMBLE:

No. This is a different method of funding. The current budget appropriates 36.8 percent of the operating budget. In terms of per-bed-day, that amount is \$56.90. This bill changes the method of allocation and moves responsibility from the DCFS to the responsible counties. This is a Supreme Court bill introduced at their request. It has the support of the Nevada District Judges Association, Judge William Voy in Clark County, the Juvenile Justice Administrators, the Nevada Association of Counties and Clark County.

COCHAIR MATHEWS:

Judge William Voy is in Las Vegas. He has asked that his statement of support be read into the record.

DISTRICT JUDGE GAMBLE:

Due to technical difficulties in Las Vegas, Judge Voy has asked me to convey that the beauty of these camps is they keep kids in their communities and make it much easier to integrate them back into their communities. He refers us to the state of California which left this treatment model years ago and is now trying to return to it at great cost to that state.

SENATOR RAGGIO:

What is the impact, other than the collection of the money, of taking the DCFS out of this? What role do they still play?

DISTRICT JUDGE GAMBLE:

The DCFS still has programmatic input regarding the treatment. This bill takes the budgeting and fiscal oversight out of their hands.

LARRY CARTER (Assistant Director, Department of Juvenile Justice Services, Clark County):

The camps are an essential element for a continuum of services. Over 300 kids a year come to our programs. This saves beds at other youth facilities as well as space on youth parole caseloads. We continue to operate with low recidivism. Regarding oversight, the Legislative Counsel Bureau is currently performing audits of all facilities in the State of Nevada. We are anticipating the audit at Spring Mountain. We believe in complete transparency.

In 1995, the commitment rate of children to State custody in Nevada was 5.5 boys per 1,000 and 1.2 girls per 1,000. In 2007, the boys' commitment rate was 2 per 1,000 and the girls' rate was 0.4 per 1,000. This is attributable to the impact community corrections can have. The State of Nevada is involved in Juvenile Justice reform. We need assistance to keep producing these results.

SENATOR RHOADS:

Is the fiscal note of \$1.3 million a year correct? Is that new money?

DISTRICT JUDGE GAMBLE:

We have given the Committee a two-page funding summary ([Exhibit H](#)). It is an increase because you have never funded Spring Mountain the same way. I do not understand what you mean by new money.

COCHAIR MATHEWS:

There is representation from the Administration here who can answer that question.

DISTRICT JUDGE GAMBLE:

The figures in this summary use the per-bed-day cost of \$56.90 to arrive at a fiscal note of \$1.53 million a year.

ANDREW CLINGER (Director, Department of Administration):

This fiscal note is built on the assumption that the \$50.93 was 100-percent General Fund. The fiscal note assumed 100 beds at Spring Mountain, 40 beds at China Spring and 24 beds at Aurora Pines.

SENATOR RAGGIO:

I thought there were 16 to 20 beds at Aurora Pines.

DISTRICT JUDGE GAMBLE:

There are currently 16 beds in the budget and 24 beds available.

MR. CLINGER:

Based on the total of 164 beds multiplied by \$50.93 and then by 365 days for all of those facilities, the cost would be a little over \$3 million in FY 2009-2010. The Governor's budget includes General Funds of \$1.69 million. The difference between the bill calculation and the current appropriation is the \$1.3 million Senator Rhoads is asking about.

STEVEN J. THALER (Director, China Spring Youth Camp and Aurora Pines Girls Facility):

Prior to 2002, there was no medium-level facility for girls in Nevada. Aurora Pines was then built with 24 beds, but we were only authorized to receive funding for 16 beds. We often have as many as 22 girls in the facility.

The funding formula, as this bill was originally submitted, used the \$50.93 rate. If that rate remained the same in the current bill, the rural counties would need to increase their commitment because the State contribution would decrease.

DISTRICT JUDGE GAMBLE:

The current operating budget represents a per-bed-day rate of \$56.90, not the \$50.93 stated by Mr. Clinger.

MR. CLINGER:

I did not do the calculation of the current per-bed-day cost. The amount of money in the current budget is less than what the bill proposes.

SENATOR RAGGIO:

What rate does the county of origin contribute? Does this eliminate some of the county funding?

DISTRICT JUDGE GAMBLE:

The county share using this funding scenario is \$97.73 per-bed-day.

MR. CARTER:

Last session, Spring Mountain did receive an increase in funding. Instead of offsetting county funds, we created an after-care division. The intent of this bill is to create a stable, equitable funding source for all of the State's Youth Camps.

SENATOR RAGGIO:

At what capacity has Spring Mountain been operating?

MR. CARTER:

For the last several months, we have had an occupancy rate of 97 to 98 juveniles. It is unusual not to be at full capacity of 100. There has been a concerted effort at Juvenile Justice Reform in Clark County. We use community-based services, day and evening reporting centers, home management and electronic monitoring, among other tools. The Clark County commitment rate to the State was down over 20 percent from 2007 to 2008.

SCOTT SHICK (Representative, Juvenile Justice Commission):

We support S.B. 85. The Youth Camps are an integral part of the Juvenile Justice System in the State of Nevada. When youths are close to their communities, they become more involved with their families, their education and their communities. This involvement is instrumental in their success and permanent behavior change. Anything we can do to support these facilities and the detention reform efforts of the State benefits the children and the State of Nevada.

SENATOR RAGGIO:

If Senator Jacobsen were here today, he would be in favor of this bill.

MR. SHICK:

As a friend of the Jacobsen family, I agree.

CAREY STEWART (Division Director, Washoe County Juvenile Services):

I echo the statements from my fellow Juvenile Justice administrators. These camps are a key component of our continuum of care for youth. Every child we

can divert from a State commitment helps all the children in the State of Nevada. As the competition for State correctional beds increases and creates waiting lists, the negative impact on youths remaining in local detention facilities can be difficult to overcome. The sooner we can move youths from a hearing in court into the programs that will help them, the better success we have.

ROGER W. SAYRE (Chief Juvenile Probation Officer, Lyon County):

In Lyon County, the camps have provided an excellent resource. Many parents and children over the years have told me that the ability to go to the camps instead of to a State facility has made the difference in changing their lives. Lyon County supports S.B. 85.

COCHAIR MATHEWS:

Judge Gamble, please tell Judge Voy that his name has been entered into the record in support of S.B. 85.

We will now open the hearing on S.B. 143.

SENATE BILL 143: Creates a subcommittee of the Interim Finance Committee to oversee the use of money allocated to the State from the Federal Government to stimulate the economy. (BDR S-1034)

SENATOR STEVEN A. HORSFORD (Clark County Senatorial District 4):

This bill is a response to the federal economic stimulus package to ensure 100-percent accountability for the allocation of these funds by the Legislature and the Governor. Once the Legislative Session is over, agencies that must carry out the provisions approved in the allocation of those funds are reviewed by the Interim Finance Committee (IFC).

Section 1 of the bill creates a subcommittee of the IFC to oversee the use of the funds allocated by the federal stimulus package. Section 2 sets out the duties of the subcommittee which include considering proposals and plans for use of the allocated funds to ensure the use maximizes the goals of the State, examining the possibility of participating in programs offered by the federal government and monitoring spending for transportation and other public work projects. Section 3 of the bill requires the subcommittee to hold entities that receive federal funds accountable for the appropriate and effective use of the money allocated to them and authorizes the subcommittee to require the redirection of the use of the money within a program if it determines the allocation is not being used in the most effective manner.

The U.S. Congress and the President have worked hard to create a stimulus package designed to do two things: support job creation; and inspire economic recovery. We all recognize these funds will not be used to shore up or fill any major holes in our State budget. There are a couple of areas in Medicaid and education where we will try to use it as effectively as possible. The rest of the funds will be for new projects: \$201 million for transportation projects; \$100 million in energy-related funding and weatherization; and job training and job workforce programs administered by the Department of Employment Training and Rehabilitation. This bill codifies the process through the IFC and creates a special, bipartisan subcommittee of ten members from both houses that will ensure every single dollar is accounted for.

COCHAIR MATHEWS:

This bill is effective on passage and extends through June 30, 2011. It is not ongoing.

SENATOR HORSFORD:

Correct. The stimulus package is one-shot funding. Programs that are considered for funding should not expect continued funding. It is intended to jump-start our economy.

SENATOR RAGGIO:

One point of clarification: on the makeup of the subcommittee, may the appointments be of Senators and Assembly members who do not sit on the Finance or Ways and Means Committees?

SENATOR HORSFORD:

Yes, the intent is the leadership of both Houses will decide the representation of the subcommittee.

SENATOR RAGGIO:

We should make it clear they need not be members of the money committees.

The authority given to the subcommittee in Section 3 to require the money be redirected seems unusual for a committee in the interim. I commend it, but I am surprised a subcommittee would have that authority.

SENATOR HORSFORD:

These are extraordinary times and there are timelines associated with the funds in the stimulus package. Contracts for transportation projects have to be issued within 120 days of approval. We need to have a mechanism whereby the dollars allocated may be redirected if the project does not meet the State's intent.

SENATOR RAGGIO:

The language in Section 3 implies the subcommittee could act itself, without going through the IFC. I am seeking clarification of the intent of the bill.

SENATOR HORSFORD:

My opinion is, we should grant that authority to the subcommittee. Whatever checks and balances are normally followed within the IFC process would be followed to the extent possible.

SENATOR COFFIN:

The IFC has been operating for many years under authority that has not been challenged at the Nevada Supreme Court level regarding whether or not the IFC is appropriating money. The Legislature has appropriated to the IFC and the IFC can direct funds. We have been careful not to intrude on the constitutional prerogatives of the Executive Branch. I am concerned that creating a subcommittee of a committee could be a constitutional problem.

SENATOR HORSFORD:

The Legislative budget process for the allocation of the funding will take place between now and the time we adjourn. The decisions about the allocation of the funding will be made by the Legislature based on the deliberations of the Senate Finance and Assembly Ways and Means Committees. Following our

adjournment, this subcommittee will be in place to impose the accountability requirements expected of us from the federal stimulus package. We need to account for every dollar and ensure the conditions and timelines are being followed.

To Senator Raggio's point: it is not just the members of the Finance Committee or the IFC who need to be involved in this oversight. The Chairs of the transportation committees, for example, are doing a lot of work regarding the prioritization of highway projects. The energy and commerce committees are reviewing the energy components of the bill. We need to ensure there are members who can provide input regarding why certain dollars were allocated, what the plans were and the dollars are being spent the way the Legislature intended.

SENATOR COFFIN:

Why not let the IFC do that? It has standing, custom and tradition. It has the ability to function much like this without having to carve out a statutory subcommittee. Failing that, we could set up another committee under statute. We have other statutory committees that have not been challenged, it could function as oversight. We need to be careful.

SENATOR HORSFORD:

I appreciate the need for caution. But, the process needs to be transparent and the public needs to understand how we intend to have a process for accountability. The IFC has traditionally held these functions, and they will continue to do so for those roles with which they are charged. Due to the extraordinary circumstances regarding the stimulus package, it is vital to have an extraordinary process that ensures accountability.

COCHAIR MATHEWS:

We will be checking with the Legal Division every step of the way.

SENATOR RAGGIO:

There is already enough controversy about the stimulus package. I would like to avoid any tug-of-war between the Legislative Branch and the Executive Branch on this oversight. The Governor has a role to play in both the application for and access to some of the funds. However we process this, we need to ensure the necessary comity between the Legislative and Executive Branches. I am sure the Governor is as concerned as we are that the funds are used effectively. I am not sure how we insert this concept into this bill, but it is important.

SENATOR HORSFORD:

I agree. The stimulus package gives certain jurisdictions to the Governor, particularly with regard to applying for certain grants of waivers and Maintenance of Effort requirements that have to be achieved. We need to work with the Executive Branch to carry out those areas. Because we are in Session, there is the Legislative role in the allocation of funding and the acceptance of grants and gifts. We need to make sure we set that policy and provide direction through our budget process. Finally, we must also be accountable for the things we propose to do.

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PAULA BERKELEY (Food Bank of Northern Nevada and the Network Against Domestic Violence):

We are appreciative of the concept of this bill because we are all curious about how to best manage these funds. There will be, in some cases, places where nonprofit organizations can access these funds and we want to make sure it leverages our services to the benefit of the Nevadans who use those services. This discussion assists us in learning the right questions to ask and to apply for the funds that may be available from the stimulus package in the best manner. This is a useful bill.

COCHAIR MATHEWS:

As there is no other business and no further testimony, this meeting is adjourned at 10:18 a.m.

RESPECTFULLY SUBMITTED:

Patricia O'Flinn,
Committee Secretary

APPROVED BY:

Senator Bernice Mathews, Cochair

DATE: _____