

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Sixth Session  
April 30, 2011**

The Committee on Ways and Means was called to order by Chairwoman Debbie Smith at 8:07 a.m. on Saturday, April 30, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/76th2011/committees/](http://www.leg.state.nv.us/76th2011/committees/). In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: [publications@lcb.state.nv.us](mailto:publications@lcb.state.nv.us); telephone: 775-684-6835).

**COMMITTEE MEMBERS PRESENT:**

Assemblywoman Debbie Smith, Chairwoman  
Assemblyman Marcus Conklin, Vice Chair  
Assemblyman Paul Aizley  
Assemblyman Kelvin Atkinson  
Assemblyman David P. Bobzien  
Assemblywoman Maggie Carlton  
Assemblyman Pete Goicoechea  
Assemblyman Tom Grady  
Assemblyman John Hambrick  
Assemblyman Crescent Hardy  
Assemblyman Pat Hickey  
Assemblyman Joseph M. Hogan  
Assemblyman Randy Kirner  
Assemblywoman April Mastroluca  
Assemblyman John Ocegüera

**GUEST LEGISLATORS PRESENT:**

Assemblywoman Marilyn Kirkpatrick  
Assemblyman James Ohrenschall

**STAFF MEMBERS PRESENT:**

Rick Combs, Assembly Fiscal Analyst  
Mike Chapman, Principal Deputy Fiscal Analyst  
Brian Burke, Senior Program Analyst  
Julie Waller, Program Analyst  
Sherie Silva, Committee Secretary  
Carol Thomsen, Committee Assistant

Chairwoman Smith made opening remarks and announced the Committee would hear bills and close the Mental Health and Developmental Services' budgets. She opened the hearing on Assembly Bill 191 (R1) and invited Vice Chair Conklin and Assemblywoman Marilyn Kirkpatrick to the testimony table.

**Assembly Bill 191 (1st Reprint):** Revises provisions governing the partial abatement of certain taxes. (BDR 32-916)

Assemblyman Marcus Conklin, Clark County Assembly District No. 37, introduced Assemblywoman Marilyn Kirkpatrick, Chair of the Assembly Committee on Government Affairs.

Assemblyman Conklin stated A.B. 191 (R1) was amended in the Assembly Committee on Taxation, and the Chair of that Committee, Assemblywoman Kirkpatrick, worked diligently on the bill. He explained in the 74th Session (2007), he sponsored a similar bill, which was not quite as well thought out and died in the Assembly. The way the Legislature looked at taxes and abatements then was different than today; they were viewed as a loss of revenue rather than as a tool. Assemblyman Conklin said there should be an opportunity to create greater nexuses between businesses and the Nevada System of Higher Education (NSHE) at all levels. There needed to be a mechanism where businesses could go to the universities, invest money, receive some sort of abatement or rebate from government, and create some incentives for the businesses to stay in the community and hire from the departments and universities in which they invested. He believed the bill provided a mechanism that would allow the state to further diversify its economy.

Assemblyman Conklin explained the first draft of the bill only considered research. Business would make an investment and the universities would use the investment exclusively for research: the concept was simple. Many other states had similar programs that were successful in fusing new relationships and new investments in their universities directly from private industry. Assemblyman Conklin said when the current bill was drafted, it was decided to

make a broader sweep of investment in NSHE and, at the same time, protect the capacity to invest or grow the state's total investment in NSHE.

Assemblyman Conklin highlighted certain items relating to the bill:

- A business could invest in the universities at a rate of \$500,000 or more and qualify to apply for an abatement.
- A business could invest in the community colleges at a level of \$250,000 and above and qualify for the abatement.

Assemblyman Conklin explained the difference was, most notably, at the university level: capital investments were larger, and the university requirements were larger as a result of the amounts needed for research, chair endowments, and capital projects. At the community college level, the greatest area of investment, at least as he had heard from the TechAmerica group, was in certification programs, and the investment needed in those programs would not be as high. A software company might want to make an investment in a training program for its specific software that was widely used in the marketplace, and an investment of 40 computers in a new laboratory equipped with software may not equate to \$500,000 or above. Assemblyman Conklin noted the linkages were different, but he believed they were sound. He had consulted with representatives from the universities and the community colleges on the dollar amounts to ensure they would be large enough to encourage investment in the institutions.

Continuing, Assemblyman Conklin stated the program would last for five years. Once a company chose to make the investment, it could take its abatement over a five-year period. The company would have to continually employ workers in the state's marketplace, and more importantly, it must continually employ students from the programs in which they invested. He said once the investment was made and the product was delivered, the company would continue to hire employees from the programs. When the bill was originally drafted in 2007, there was a dollar-for-dollar abatement. In the current bill there was a 50 percent match, as was the case in many other states, making the abatement similar to a federal match. The state may abate 50 percent of the dollar, but NSHE would be gaining \$2 for every \$1. While the General Fund may be reduced as a result of the abatement, the investment would be twice as much as the reduction, and the reduction would occur over a five-year period, whereas the infusion of funds would occur at the beginning of the abatement period. Therefore, the effect of the abatement on the General Fund would be diffused over a period of time, while at the same time, NSHE would receive upfront capital investment.

Assemblywoman Marilyn Kirkpatrick, Clark County Assembly District No. 1, testified she had worked with Assemblyman Conklin on A.B. 191 (R1). She wanted to provide further details of the actual commitments that would be made by a business. She said her daughter had attended Southern Utah University, and the investment and abatement program was a very big part of how that college system did business; programs included arts, research, and technology. Assemblywoman Kirkpatrick said one advantage of the program at Southern Utah University was the students received work experience within the fields they were going into when they left college. Her daughter attended the Pharmacy Tech program, and it was a requirement, based on an endowment program she was in, that she had to work a certain number of hours within the pharmacy field so that she would have real work experience when she graduated.

Assembly Bill 191 (R1), Assemblywoman Kirkpatrick continued, provided that a business making a capital investment of \$500,000 in the University of Nevada, Las Vegas, the University of Nevada, Reno, or the Desert Research Institute, to support the research, development, or training related to the field of business, would be required to employ 15 or more full-time employees for the duration of the abatement, and it would be required to employ 2 or more postgraduate students on a part-time basis. The company would have to provide health insurance for its employees, and it would have to receive a letter from the institutions indicating approval of the program and that it would be an asset to the institution. The same requirements would apply at the \$250,000 level for the Nevada State College and community colleges.

Assemblywoman Kirkpatrick said there had been successful programs in Nevada: the hotel college fostered many students in Nevada to be a part of the state's largest industry, and it now attracted students worldwide. At the community college level, different companies had invested in the green energy program. The abatement program would further encourage businesses to be a part of NSHE, and they could help with the curriculum to ensure that graduates would be prepared to enter the workforce.

Assemblywoman Kirkpatrick noted that the abatement could not exceed 50 percent of the total investment in the state. Car registrations were also included in the abatement program as an additional incentive because many businesses had several vehicles.

Assemblyman Grady said he was aware that Assemblywoman Kirkpatrick had worked on other tax proposals during the interim, and he asked her to provide information on other taxes to be abated. He also asked whether the local

governments would have input on the implementation of the abatement programs.

Assemblywoman Kirkpatrick replied that consistent with past abatement programs in which she had been involved, the counties would have a buy-in. An acknowledgement from the counties that they agreed with the program would be required in the bill. The economic development process would provide public awareness, and the Local School Support Tax (LSST) would be held harmless.

Assemblyman Kirner said he appreciated the bill, but he was attempting to understand the fiscal note. There were some abatements, which were essentially a takeaway, but on the other hand, there were major investments, which were a positive. He asked whether Assemblyman Conklin and Assemblywoman Kirkpatrick saw the program as an upside or downside after five years.

Assemblyman Conklin replied he saw it as an absolute upside because the abatement was only 50 percent, unlike abatements done in the past. If a company wanted to make a \$1 million investment in the University of Nevada, Reno, it could also consider making a \$2 million investment to avoid paying \$1 million in taxes. The company could double its investment in the university and have half the impact on the revenue of the state. Companies would be incentivized to pay twice as much, and in doing so, they would also agree to hire workers as part of a long-term, or five-year, collaboration with the universities and programs in which they would be investing.

Assemblyman Kirner noted he came from a background with International Game Technology (IGT), which committed \$5 million to the University of Nevada, Reno, Mathewson-IGT Knowledge Center. He asked whether IGT would have received an abatement under the provisions of A.B. 191 (R1).

Assemblyman Conklin replied he believed IGT could have received an abatement because capital investment as used in the bill did not just mean buildings: it meant anything of value that a business wanted to invest and donate and the universities could use. He said after discussions with the universities, consideration should be given to capping the companies at \$10 million. He clarified that usually a donation in excess of that amount was from a philanthropist rather than a business. The philanthropist did not need a tax abatement, because Nevada's taxes were essentially business-related, and the philanthropist was not likely planning to hire employees.

Assemblyman Kirner noted that IGT was a major employer in Nevada. The company hired young and old workers from NSHE both in the north and the south, and he did not know whether the tax abatement would have created additional jobs that did not exist anyway. Because the proposed abatement was for existing businesses as well as new, he was trying to discern the incremental value.

Assemblywoman Kirkpatrick replied eligible businesses were required to be under the state's diversification program. Also, the main purpose of the program was not to create additional jobs, but more so to diversify the state's economy and provide incentives for college students to stay in Nevada. She said that in Utah, the students were working within their communities directly with the businesses, and they were leaving college with work experience, which ultimately benefitted the entire state. By working with NSHE, there would be criteria on what programs would work. A company with \$500,000 could approach an institution to open a dance theatre, but that might not be a program the school could justify for diversification. However, the Desert Research Institute (DRI) had done wonderful things, both north and south, with cloud studies and renewable energy studies; its programs were actually unique to Nevada.

In the example of IGT, Assemblywoman Kirkpatrick said that technology was a huge piece of gaming, because technology changed everyday. The company would have to meet the criteria of NSHE, which was clearly required in the bill. She noted the University of Utah was studying a new type of technology dealing with radio frequencies, which it claimed would put it ahead of the curve.

Assemblyman Conklin added that not every business would request an abatement, and not every business would qualify for an abatement. He referred to page 3, beginning with line 42, of A.B. 191 (R1), which discussed the requirement of economic development and diversification to qualify for the abatement. He said it might be likely that IGT would not qualify under that standard because it was part of the largest industry in the state. However, if IGT was to expand into video games, video game software, and other technology, it was possible the company would meet the criteria.

Assemblyman Kirner stated IGT had invested in a building, and he assumed that was not the type of investment intended for the proposed abatement. The investment should be in research that would result in a patent.

Assemblyman Conklin replied Mr. Kirner was correct. The investment should be in programmatic projects that would drive research or training. The mission of the community colleges was not research: their mission was access and job

skills, which were critically important to the state, particularly in the technology arena.

Assemblyman Hickey stated the fiscal note from the Department of Taxation indicated the rebates would come either through the Modified Business Tax (MBT) or through property taxes. He asked for further explanation of where the abatements would come from and how.

Assemblywoman Kirkpatrick replied the MBT was not intended to be included; the intent was for abatement of vehicle registration and property tax.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted the Legislative Counsel's Digest in A.B. 191 (R1) indicated a " . . . partial abatement of property taxes, business taxes and governmental services taxes." He assumed business taxes referred to the Modified Business Tax, but he would check Chapter 363B of the *Nevada Revised Statutes* (NRS).

Christopher Nielsen, Interim Executive Director, Department of Taxation, testified the Department was neutral on A.B. 191 (R1), but he clarified the amendment, whether intended or not, included the MBT for general business as one of the abated taxes.

Assemblyman Conklin said he was not sure the MBT had ever been abated, but it was not intended to be abated under A.B. 191 (R1).

Chairwoman Smith affirmed the intention of the bill was to provide an abatement of property taxes and the Governmental Services Tax.

Mr. Nielsen added under the traditional abatement administered by the Commission on Economic Development, the tax types included were a portion of the sales tax and 50 percent of the Modified Business Tax, which was in part the reason the Department of Taxation submitted an amended fiscal note under the assumption the MBT would be included. If the MBT was not included, a portion of the fiscal note would be reduced.

Chairwoman Smith asked whether the Department's fiscal note had changed from the original fiscal note. Mr. Nielsen replied it had. The fiscal note increased slightly because the potential eligible applicants would not only include the universities, but the community colleges as well. Mr. Nielsen said although the number of businesses that would apply for the abatement could not be quantified, it was anticipated there would be more, and instead of asking for a half-time staff member, the Department anticipated a need for a full-time,

lower-level employee. He added the information technology costs increased slightly as a result of the MBT. Currently it was 50 percent all or none, and under this proposal, the MBT would not exceed 50 percent.

Chairwoman Smith affirmed the first fiscal note was \$46,788 for the second year of the 2011-2013 biennium and \$191,981 in the next biennium. She asked Mr. Nielsen how the amounts would change under the proposed revision.

Mr. Nielsen said the fiscal note would be \$74,000 in the first fiscal year of the biennium and \$53,000 in the second fiscal year, for a total of \$127,000 for the 2011-2013 biennium, which would include the additional staff member and the information technology costs. The information technology costs would not be necessary if the suggested changes were made to the MBT.

Assemblywoman Carlton said she liked the bill. She noted nonprofit companies were required to obtain a business license. She foresaw future diversification in the medical field because it was becoming popular, and she asked whether there would be any prohibition against nonprofits getting a donor to donate a medical lab in their name to the university. She noted that nonprofits paid property taxes and they had vehicles.

Assemblyman Conklin responded that on the surface, he did not see how participation of nonprofits would be prohibited. If an investment was made in NSHE and employees were hired and the program continued for the five-year period, the donor would be eligible for the abatement.

Assemblywoman Carlton remarked she saw the program as an excellent opportunity for the state to expand into the medical field. She noted that some businesses received a tax credit because they provided healthcare, and the participating businesses would be required to provide healthcare as well. She wanted assurance that they could not double dip; she was aware that there had been abuses in other cases.

Assemblyman Conklin replied there was a provision in the bill stating the business could only qualify for the program if it was not already qualified for another similar program, either for abatements or for a federal tax exemption for investment. He said Assemblywoman Kirkpatrick had been diligent about putting the provision in the bill.

Assemblywoman Carlton was concerned that the healthcare coverage provision be made very clear. Assemblyman Conklin remarked the entire statute was stacked on itself. If there were six abatement programs, a company could only qualify for one.



Assemblywoman Kirkpatrick noted that a policy decision was made by the Legislature during the 75th Session (2009) that an abatement program only applied to companies that were bringing new benefits to the state. She had been working with the Commission on Economic Development over the past three years to ensure companies met all requirements.

Assemblyman Hardy asked whether the program was open to all community colleges or whether they had to have a research component. Assemblyman Conklin replied the program was open to all community colleges. He assumed the community colleges would not get research dollars; they would get training dollars in a litany of areas specific to the workplace. For example, Cisco invested over \$1 million in a new lab for the College of Southern Nevada and brought in computers and software for the college to begin training and certifying Cisco-certified programmers and technicians.

Assemblyman Hardy said he asked the question because some of the rural community colleges might have different programs that were not related to technology, agriculture for example. Referring to the section in the bill that stated the average hourly wage to be paid by the business to its employees would be at least 125 percent of the average statewide hourly wage, he asked what the average hourly rate in the state was currently.

Assemblyman Conklin replied the language was found in a lot of programs, and he was not sure which program the Commission on Economic Development used. He noted that the website for the Department of Employment, Training and Rehabilitation would reflect the average wage through a survey of businesses, but that was not the only mechanism.

Assemblyman Hardy said he would like to see the established wage in the average in the area of norm. The average may be totally different in the rural counties.

Assemblyman Conklin said the last time he checked, the average hourly wage was \$17 or \$18 an hour, aggregated over all jobs within the state. He noted that real personal income in Nevada had plummeted in the last two years.

Assemblywoman Kirkpatrick remarked that the Southern Utah University had a two-year certification agricultural program that used 125 percent of the state's average wage. The program included certification in the business portion of the agricultural industry in the state, and it had been very successful.

Assemblyman Aizley asked whether the businesses would be using campus facilities and space or if they would be located off campus. If they did use

campus facilities, he asked whether there would be an abatement for rent and other fees.

Assemblyman Conklin replied those arrangements would be made through a contract between the business and the campus. If the campus chose to abate rent for the business, he imagined it could be done in return for an investment. The state had no control over campus charges for facilities. He noted the single largest abatement item for a business would be property tax, and if the business was conducting its business on a college campus, there would be no property eligible for abatement under the program. Assemblyman Conklin said the purpose of the program was to encourage businesses to locate in Nevada, to invest in its communities through the purchase of property, and to play a part in NSHE.

Assemblyman Aizley asked whether both options, using campus space and providing a cash donation, were possible as part of the \$500,000 investment. Assemblyman Conklin replied they would both be possible.

Assemblyman Kirner referred to the average hourly wage provision, and he noted that some bills include language concerning not only the state average hourly wage, but the county average hourly wage as well. He asked whether consideration would be given to an amendment to adjust the language in A.B. 191 (R1), given the fact that wages were so dramatically different around the state.

Assemblyman Conklin replied the bill's language was standard in all of the state's other programs. The average hourly wage was adjusted across the state.

Chairwoman Smith suggested further questions concerning the bill could be discussed with the sponsors. She asked for public testimony, remarking that comments should be focused on the fiscal policy of the bill.

Brian McAnallen, Director of Legislative Affairs, CenturyLink, testified from Las Vegas that he supported A.B. 191 (R1). He thanked Assemblyman Conklin and Assemblywoman Kirkpatrick for working on the bill. It was a great opportunity for businesses in the state to work closely with the Higher Education System and move forward.

Mr. McAnallen stated that in the past, CenturyLink, and its predecessors Sprint and Embark, had contributed over \$500,000 in equipment, support, and supplies to the College of Southern Nevada for technology training at the Cheyenne Campus. He said it was done to try to bolster his company's tech

support without any intent of receiving an abatement or return on investment. As the companies merged and changed, they had moved away from the commitment for that level of financial support.

Mr. McAnallen said A.B. 191(R1) would allow a company like CenturyLink to rethink its vision going forward and possibly commit at the higher level to the educational institutions because of the rate of return. He said especially in an economic downturn, a company like CenturyLink would rethink all of its contributions at every level because it was necessary to conserve, retool, and focus. He said this kind of legislation would be a great tool in his company's toolbox, and certainly in the state's toolbox, to encourage continued business investment.

Mr. McAnallen added he appreciated the provision for car registration. CenturyLink had a fleet of over 700 vehicles, and the company might rethink a higher level of investment to minimize its costs of vehicle registration. Although it was not yet clear whether CenturyLink would participate in the program in the next few years, it was certainly something to consider. He again thanked the sponsors for bringing the bill forward, and he encouraged the Committee's support.

Chairwoman Smith asked for questions from the Committee. There were none. She thanked Mr. McAnallen for his testimony.

There was no further testimony in support of the bill; there was no testimony in opposition. Chairwoman Smith closed the hearing on A.B. 191 (R1) and opened the hearing on Assembly Bill 247 (R1).

**Assembly Bill 247 (1st Reprint): Authorizes an agricultural user to apply to the Motor Carrier Division of the Department of Motor Vehicles for the issuance of a license plate and decal to operate a farm tractor or motorized implement of husbandry on a highway in this State under certain circumstances. (BDR 43-300)**

Assemblyman Pete Goicoechea, Assembly District No. 35, explained A.B. 247 (R1) was originally brought forward on behalf of the sheep industry. There were a number of operations that ran sheep in Jarbidge near the Idaho border in the summer and moved to Tonopah or south of Gabbs in the winter. The sheep camps used a variety of unregistered vehicles to pull their commissary wagons, including a tractor, an older pickup, or a military six-by, and it was necessary to cross or travel on some major highways between Jarbidge and Tonopah.

Assemblyman Goicoechea said although the owner might carry insurance on the vehicle, the question was whether it was truly insured when the vehicle was not registered. Assembly Bill 247 (R1) enabled an operator running an implement of husbandry for short distances on a county road or state highway to register the vehicle as a farm implement, an implement of husbandry, for a fee. He emphasized the bill was enabling legislation, and he believed it would be a benefit not only for the operator, but for the motoring public as well, to avoid issues involving an accident. The farm implement plate would be optional, and to obtain the plate, the owner would have to provide proof of liability insurance in the amount of \$300,000 to assure full-time coverage and proper registration.

Assemblyman Goicoechea said the bill needed to be amended to read "self-propelled implement of husbandry" instead of "motorized implement of husbandry." The fiscal note was \$98,000 for programming costs, but there would be no cost if the program was deferred until 2014. The Department of Motor Vehicles estimated between 3,000 and 5,000 users of the farm implement tag, which would generate between \$30,000 and \$50,000 per year. However, he pointed out, the exact numbers could not be anticipated because the legislation was enabling.

Mark Froese, Administrator, Management Services and Programs Division, Department of Motor Vehicles (DMV), explained the fiscal note originally submitted was based on entirely different language. Based on the amended language, the DMV had revised the estimated time for programming changes to 730 hours, which translated into \$98,550.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that \$98,550 was the expenditure side of the fiscal note and asked whether there was a revenue side.

Mr. Froese replied there was not an estimate of revenue because the program was optional. He said research had indicated 3,000 to 5,000 vehicles of this type existed in the state, but it was unknown how many owners would participate.

Mr. Combs asked how the expenditure would be funded in the DMV budget if A.B. 247 (R1) passed.

Assemblyman Goicoechea said he had considered raising the fee from \$10.50 to \$15, which when applied to 3,000 vehicles, would cover DMV's programming costs for the biennium. He would be agreeable to raising the fee or, as a last resort, waiting until a 2014 effective date.

Chairwoman Smith remarked the programming changes needed to be funded whether there was one person or 3,000 participating, but the amount of revenue earned was unknown because the number of participants was unknown.

Assemblywoman Carlton said most registrations were not optional; even registration of off-road vehicles was mandatory. She recalled the basic registration fee for all vehicles, including mopeds, was \$33.

Assemblyman Goicoechea remarked that under existing statute, licensing of implements of husbandry was not required, whether or not they were on the highway. The reason the program was voluntary was to provide some protection, both for the industry and the motoring public. He noted that the vehicles were sizable units, which was why he wanted them insured.

Assemblyman Aizley asked why the registration expiration date was December 31 instead of one year from the date of issuance. Mr. Froese replied the program was patterned after existing motor carrier programs, and because the number of registrations was anticipated to be low, it was thought it would fit well in the Motor Carrier Division.

Assemblyman Goicoechea added typically motor carrier units were registered quarterly and most came due December 31.

Chairwoman Smith assumed Assemblyman Goicoechea and DMV would continue working on the bill and resolve the program's funding. Assemblyman Goicoechea replied he would, and he was agreeable to increasing the fee or deferring the program until 2014.

Chairwoman Smith said the Committee would reconsider the bill once the funding requirement was mitigated. She asked for public testimony in support of the bill.

Doug Busselman, Executive Vice President, Nevada Farm Bureau Federation, testified the Nevada Farm Bureau was in support of the bill, and he looked forward to working with Assemblyman Goicoechea on a resolution of the fiscal note.

Assemblyman Bobzien said the obvious solution of the fiscal note was to make the registration mandatory. He asked Mr. Busselman whether the Farm Bureau would support that option.

Mr. Busselman replied he did not believe the Farm Bureau would be willing to support a mandatory registration. The voluntary registration was a proactive move to ensure that equipment was easily identified as being farm equipment, as well as to make sure that proper insurance coverage for the agricultural operation applied to the equipment.

Alex Tanchek, speaking on behalf of Neena Laxalt, representing the Nevada Cattlemen's Association, testified the Association wanted the record to reflect that it supported A.B. 247 (R1).

There was no further testimony in support of the bill and no testimony in opposition to the bill. Chairwoman Smith closed the hearing on A.B. 247 (R1).

Chairwoman Smith opened the hearing on Assembly Bill 516, which was a budget-related bill from the Budget Division, Department of Administration, transferring the Division of Minerals to the State Department of Conservation and Natural Resources.

**Assembly Bill 516: Transfers the Division of Minerals from the Commission on Mineral Resources to the State Department of Conservation and Natural Resources. (BDR 46-1207)**

Leo Drozdoff, P.E., Director, State Department of Conservation and Natural Resources (DCNR), testified that A.B. 516 transferred the Division of Minerals from the Commission on Mineral Resources to DCNR where the Division was at one time located. He said there were several reasons the transfer was a sound proposal:

- There were a number of synergies and opportunities that existed between minerals and DCNR agencies. For example, each had a bonding program for mining. The Division of Minerals had worked with DCNR hand in hand over the years on various abandoned mine lands, and in fact, DCNR agencies had actually funded those types of programs through environmental penalties.
- In the area of renewable energy and geothermal energy, the Division of Minerals had an approval process, the Division of Environmental Protection had an approval process, and often the Division of Water Resources (the State Engineer) was involved in a separate approval process. To move geothermal projects forward expeditiously, a process of streamlining could occur in this area.

- The DCNR agencies performed a great deal of work with the Bureau of Land Management (BLM) permitting processes, which would be of benefit to the Division of Minerals.

Mr. Drozdoff said it was his belief that close coordination among the Division of Environmental Protection, Minerals, the State Engineer, and other DCNR agencies would be best achieved within a single department framework. He wanted it understood that the Commission on Mineral Resources would not be eliminated, and its function would not change substantially. He said if the transfer was approved, the plan was to work with the Commission and its staff in a collaborative way, and he did not anticipate any problems.

In regard to the proposed transfer, Mr. Drozdoff said the Office of the Governor had indicated the following:

As agencies and divisions of state government are consolidated for efficiency purposes, the fact that a very small Division of Minerals exists in state government independent of the Department does not fit the organizational vision of the Administration. The Division of Minerals is not represented at the cabinet level and does not benefit from assistance in coordination that comes with being part of an actual resource-focused department. While bringing the Division of Minerals into DCNR was never seen as a General Fund savings (because it does not have any General Fund), it was definitely proposed as an important organizational and efficiency-based recommendation.

Mr. Drozdoff said he was aware that the Commission on Mineral Resources had steadfastly opposed the transfer. He knew and understood that change was difficult, but he believed the move made sense. He noted there were a number of varied agencies within the Department of Conservation and Natural Resources. Some would say that the Division of State Parks had little to do with the Division of Water Resources, Office of the State Engineer, or that the Division of State Lands had little connection with the Division of Environmental Protection. However, he said routinely the agencies' paths crossed, and when they did, it was a benefit to have the synergy under the Department umbrella.

Mr. Drozdoff pointed out that all of the divisions under DCNR had distinct and separate missions, and the Division of Minerals would be no different. It would continue to have its distinct mission, and the Department would not change it. It would stay in its current location and perform the same functions. But when areas of commonality occurred, he said, there would be a communications infrastructure to make a combined involvement more efficient. Finally,

Mr. Drozdoff said, there would be a level of oversight at the Department level that currently did not exist with the Commission and Division structure.

Chairwoman Smith asked for questions from the Committee.

Assemblyman Bobzien affirmed that the Administrator of the Division of Minerals would be appointed by the Director of the Department of Conservation and Natural Resources, and the Commission would persist. From a personnel standpoint, he asked whether, in the event of a vacancy, the Commission would provide candidates or applicants, or the appointment would be exclusively the responsibility of the Director of DCNR.

Mr. Drozdoff replied the Director of DCNR would make the appointment. The proposal was modeled after the State Environmental Commission. Assemblyman Bobzien understood and thanked Mr. Drozdoff.

There were no further questions on A.B. 516, and there was no public testimony. Chairwoman Smith recalled that previously there had been a lot of public interest in the bill, but there was no one present to speak. She closed the hearing on A.B. 516.

Chairwoman Smith opened the hearing on Assembly Bill 518.

**Assembly Bill 518: Consolidates the Manufactured Housing Division of the Department of Business and Industry within the Housing Division of the Department. (BDR 18-1224)**

Charles (Chas) Horsey, Administrator, Housing Division, Department of Business and Industry, introduced James deProse, Administrator, Manufactured Housing Division, Department of Business and Industry (B&I).

Mr. Horsey explained Assembly Bill 518 was a Department of Administration bill that would consolidate the Manufactured Housing Division under the umbrella of the Housing Division. There would be some savings, approximately \$24,000 in the first year and \$48,000 in the second year of the biennium, but more importantly, Mr. Horsey said, the consolidation would give the Manufactured Housing Division access to the services of the Housing Division's chief financial officer and administrative services officer, both very bright individuals.

Mr. Horsey recalled that at the direction of the Committee, Mr. deProse and Dr. Hilary Lopez went to Las Vegas to meet with the major tenant group to explain the advantages of the consolidation. When Mr. deProse and Dr. Lopez arrived in Las Vegas on the date given by the tenant group, they were told the



group's board had met the day before and voted against the merger. Mr. Horsey said Mr. deProsse and Dr. Lopez could have met on any day.

Mr. Horsey said it was easy to understand the lack of support from the group: change was difficult for most individuals and especially for senior citizens. One of the advantages of the merger was that the Housing Division's constituency was essentially the same as that of the Manufactured Housing Division: low- and moderate-income families and mostly senior citizens. In fact, he noted, the senior citizens of low- to moderate-income were the major beneficiaries of the Housing Division's Weatherization Program.

Continuing, Mr. Horsey said it was interesting that while the tenant group opposed the merger, they liked Mr. deProsse and the decisions that he had made. He said the way it was written, A.B. 518 made it clear that every decision that would come from the Manufactured Housing Division would be the responsibility of Mr. deProsse: there would be no change; it would be a seamless transition. He would continue to be in control of the agency, as indicated in every section of the bill. Mr. deProsse's title would change to Deputy Administrator of the Housing Division, but the constituent groups would still answer to him. The only downside to the merger, Mr. Horsey noted, was that unfortunately, Mr. deProsse's salary would be reduced.

Mr. Horsey pointed out that Mr. deProsse had to either cut positions or leave many vacant. The manufactured housing industry had not experienced much growth in units or parks in several years, and therefore its revenues were declining. The Housing Division had the ability to prioritize the tax credit program for the creation of new parks by giving incentives to the development community to create new units and parks. Although the initial savings of the merger were not significant, it was a step in the right direction.

Mr. Horsey stated that Mr. deProsse and his staff had done a great job, but the Division's revenues were decreasing, and it made sense to merge the Division with the Housing Division to assist with financial matters.

Chairwoman Smith asked for questions from the Committee.

Assemblywoman Carlton said she understood the concerns of the tenants. They had a representative they could work with on par with other administrators, and now their representative would be beneath someone else, and they felt their homes and residences were equal to any other in the state and should not be put underneath a larger entity. She noted the residents believed they should be treated equally with everyone else in the state. She agreed with them.

Mr. Horsey replied he agreed, and he understood the residents' feelings as well. He could assure them that would not be the case, but they would not be convinced. He thought Assemblywoman Carlton had related the tenants' concerns very well.

Assemblyman Kirner said he received emails about a variety of subjects, but he had received numerous emails concerning this matter. Essentially the emails indicated there was not much value in the merger and that the two divisions had totally different mindsets and requirements. He understood the synergies of the merger, but he was confused by the conflicting information from his constituents.

Mr. Horsey said there were in fact differences between the two divisions. The Housing Division was primarily a financial institution with an AA rating by Moody's and Standard and Poor's. However, the fact remained that the Manufactured Housing Division needed financial benefits, which could be provided through the merger with the Housing Division. He did not think the immediate savings would be as important as the long-term savings. In addition, the Housing Division would provide the ability to create new parks, and the lack of new developments had been the primary cause of the Division's decline in revenue.

Chairwoman Smith asked whether the savings were included in The Executive Budget. Mr. deProsse replied the only decision unit that appeared in The Executive Budget relative to the merger was \$6,840 in the first year and \$6,875 in the second year of the biennium, which was a reflection of the reduction in Mr. deProsse's salary.

Chairwoman Smith affirmed the actual savings was \$13,000 over the biennium and not \$25,000 or \$50,000. Mr. deProsse replied she was correct: the additional dollars identified in the fiscal note pertained to potential synergies that the two divisions had recognized could come into play if the merger took place, such as consolidation of office space.

Mr. Horsey remarked there would be other savings in personnel and in-house legal counsel. He said the savings were reflected in the fiscal note.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there were two fiscal notes—one from the Manufactured Housing Division and one from the Housing Division. The salary savings were also reflected in The Executive Budget, but the savings identified in the fiscal note were not included in The Executive Budget. He explained the savings did not affect the General Fund balance, so it was not necessary that

they be included in the budget, but the Fiscal Division would prefer the savings be reflected in the legislatively approved budget.

Chairwoman Smith said she would also prefer the savings be reflected in the final budget. She asked Mr. Horsey and Mr. deProsse to work with Fiscal staff to provide accurate amounts of savings to include in the legislatively approved budget.

Assemblyman Grady understood that Mr. Horsey had indicated the Manufactured Housing Division would not relocate, and there would be no operational changes under the Housing Division. However, he later heard there would be rent savings because the Division would move.

Mr. Horsey replied the Manufactured Housing offices in northern Nevada were adjacent to the Housing Division, and the southern office of the Housing Division had the capacity to absorb the personnel that would be remaining with Manufactured Housing. The move would involve a few feet in northern Nevada and a mile in southern Nevada.

Assemblyman Grady affirmed there would still be savings because the Division would be moving, regardless of the distance.

Mr. Horsey said one of the concerns of the tenant group in southern Nevada was the proximity of the current location of the Manufactured Housing Division to one or two of the major manufactured home parks. However, to save money, Mr. deProsse had to move several of his staff from Clark County to Carson City, and therefore he did not understand how having the southern office nearby would have much impact.

Terry Johnson, Director, Department of Business and Industry, testified from Las Vegas that in the event the Legislature wanted to move forward with the consolidation, as the Director of the Department, he was prepared to implement it accordingly and ensure that the level of attention was maintained for the manufactured housing community. He affirmed the authority of the Administrator would remain in statute, retitled as the Deputy Administrator. Mr. Johnson wanted to offer his assurance that the Department of Business and Industry would provide continued service to the manufactured housing community.

Chairwoman Smith called for public testimony in support of A.B. 518; there was none. She called for testimony in opposition to A.B. 518.

Doris Green, President of the Nevada Association of Manufactured Home Owners (NAMH), Inc., stated that NAMH was opposed to the merger of the Manufactured Housing Division and the Housing Division. She said that NAMH fought a long hard battle during the 75th Session (2009) on the same issue, and NAMH had prevailed. Ms. Green said residents understood the condition of the economy and the budget problems, but there was not much money being saved by the merger.

Ms. Green said NAMH also believed that the Manufactured Housing Division had already taken all the cuts it could take. In spite of that, the manufactured housing homeowners needed representation not headed by another division that represented a conflicting party to their needs and purposes, which was exactly what would occur if the merger was approved.

Ms. Green stated the Manufactured Housing Division should retain its position on a par with the Housing Division and not be a subordinate to it. The NAMH board and its membership opposed the merger.

Ms. Green added that the NAMH board consisted of nine officers—all volunteers—and the membership votes would total close to 1,000. She emphasized that NAMH absolutely opposed the move.

Assemblyman James Ohrenschall, representing Clark County Assembly District No. 12, stated he was in opposition to Assembly Bill 518. He said he had the greatest respect for Mr. Johnson and Mr. Horsey, but he believed the Manufactured Housing Division served a unique purpose for constituents who faced unique problems.

Assemblyman Ohrenschall recalled that in the past manufactured homes were called mobile homes, but in actuality, they were anything but mobile. He said residents would sink their life savings into the purchase of a manufactured home and move it into a manufactured home community, which essentially was a permanent location. The costs of moving a manufactured home, if it could be moved, ranged from \$4,000 to \$10,000. He said there were many manufactured homes in his district that, because of their age, would not survive a move, which meant the owners did not have the option of moving out of a park if conditions became bad.

Assemblyman Ohrenschall said he was very impressed with Mr. deProse and his responsiveness to his constituents. In the past six months, a senior manufactured home park in his district had faced some tremendous challenges because of problems with the management, and the Manufactured Housing

Division was the only place the residents could turn. The Division was very responsive and helpful.

Assemblyman Ohrenschall recalled that the NAMH organization was instrumental in establishing manufactured housing homeowners' rights in *Nevada Revised Statutes* (NRS) Chapter 118B many years ago. He believed losing the Manufactured Housing Division would hurt its constituents, the cost savings that might be gained would be minimal, and the loss of services directed to the residents' unique problems would not add up.

Another point, Assemblyman Ohrenschall continued, was the rent subsidy program administered by the Manufactured Housing Division assisted many residents of manufactured home communities who struggled to make ends meet. He said all factors of the merger needed to be considered, and he urged the Committee to find other avenues for cost savings rather than through A.B. 518.

Assemblyman Kirner was not clear how the proposed reorganization, given the way it was described, would change the kinds of service, responsiveness, and methods of addressing the needs of the community. He asked Assemblyman Ohrenschall for his perspective.

Assemblyman Ohrenschall replied there was a recent issue in his district regarding a park in which residents paid for their water as part of their rent. The park was master-metered, but suddenly every resident was being charged for the water individually. However, the park owner did not adequately take into account the water used in the common areas and water used by employees who resided on the site. The Manufactured Housing Division had dealt with similar problems many times and was very responsive to the tenants. Assemblyman Ohrenschall said the Division was experienced in dealing with unique issues, and although he respected the opinions of Mr. Horsey and Mr. Johnson, he was worried that the responsiveness would not be as timely or helpful if the Division was merged within the Housing Division.

Chairwoman Smith thanked Assemblyman Ohrenschall for his testimony and representing his constituents on the bill.

Bob Varallo, representing the Nevada Association of Manufactured Home Owners (NAMH), testified the same issue had been discussed three years before, at which time Mr. Horsey and the Director of the Department of Business and Industry had met with the NAMH Board. Mr. Varallo said that NAMH was opposed to the merger then and was still opposed today. He had met with Mr. deProse and Dr. Lopez and discussed the merger in detail. He

commented that the group liked Mr. deProsse, and in his years of experience dealing with the Manufactured Housing Division on various matters and problems, he had a good relationship with the Division staff, including Mr. deProsse's predecessors.

Mr. Varallo said there was a huge difference between the Housing Division and the Manufactured Housing Division, and the only similarity he saw was the word "Housing." The organizations had separate missions and separate functions. The Manufactured Housing Division was a service organization that served people, and it had done a fantastic job in responding to residents' needs, problems, and complaints. Mr. Varallo said that moving the Manufactured Housing Division staff would involve change, but he noted the majority of the constituents of the Division were senior citizens, and traveling a longer distance to the Division's office would be problematic and not in the best interest of the residents of the manufactured housing parks.

Mr. Varallo thanked the Committee for the opportunity to speak, and he offered to answer any questions. There were no questions.

John Griffin, representing the Manufactured Home Community Owners, testified his organization was neutral on Assembly Bill 518. He said the park owners had enjoyed a long and beneficial relationship with the Manufactured Housing Division, but organization members understood the nature of the current economy and efficiencies and cuts that may be necessary. The organization would respect whatever policy decision was made by the Legislature and work within the designated structure.

Chairwoman Smith called for further testimony on A.B. 518; there was none. She opened the hearing on Assembly Bill 521.

**Assembly Bill 521: Consolidates certain funds and accounts of the Division of Insurance of the Department of Business and Industry into the Fund for Insurance Administration and Enforcement. (BDR 57-1189)**

Brett Barratt, Commissioner of Insurance, Division of Insurance, introduced Shawna DeRousse, Deputy Commissioner, Division of Insurance.

Mr. Barratt explained A.B. 521 was a housekeeping bill. In the 75th Session (2009), the Division of Insurance moved to an enterprise funding mechanism whereby the Fund for Insurance Administration and Enforcement was created. He said the bill turned the Division's other six funds into accounts within the enterprise fund. He noted section 6, subsection 4 of the bill stated that, "The money in each account within the Fund may not be combined with other money

within the Fund or used for any purpose other than that provided by law for that account.” Mr. Barratt said that Brenda Erdoes, Legislative Counsel, and her staff, were in agreement that subsection 4 of section 6 should be removed because it was inconsistent with the Governor’s recommended budget. He explained the monies for the Division of Insurance would be in one fund, but there would be complete accountability for the individual revenue sources and how they were spent.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained that A.B. 521 was exempted because it was necessary to do so to implement the budget. The term “housekeeping measure” was not an accurate description of the purpose of the bill, and he asked Mr. Barratt for further explanation of the bill’s purpose.

Mr. Barratt stated the Governor’s recommended budget for the Division of Insurance contemplated the consolidation of all of the Division’s accounts into one account. To be consistent with the Governor’s budget, the Division would have one fund rather than six with individual accounts within the fund. The amendment proposed in A.B. 521 would further allow the Division to be consistent with the Governor’s recommended budget and the consolidation effort.

Shawna DeRousse, Deputy Commissioner, Division of Insurance, stated the intention of the Governor’s recommended budget was to consolidate the individual budget accounts and still maintain an accounting of the individual revenue and expenditures in those accounts. She said having the funds identified in the bill changed to accounts within the enterprise fund would allow that to happen, with the exception of section 6, subsection 4.

Mr. Combs affirmed that if the money committees ultimately decided to not approve the consolidation of the accounts into one account, subsection 4 would still need to be taken out to allow transfer of the Division’s cost allocations among the various accounts. Ms. DeRousse replied Mr. Combs was correct.

Chairwoman Smith asked the purpose of the changes. Ms. DeRousse replied the individual funds were being turned into accounts because they would fall under the umbrella of the enterprise fund of the Insurance Administration and Enforcement Fund. Identifying the monies as separate funds would not allow the umbrella to cover each of the funds and combine them in the Governor’s recommended budget. Ms. DeRousse reiterated that even if the funds were not combined, the individual accounts would still be under the umbrella of the Fund.

Assemblyman Conklin recalled the Subcommittee on General Government had heard testimony on the transition, and he did not have a problem with the funds being in the same fund. However, the accounts would still need to be maintained separately; if that was the intent of the amendment to A.B. 521, it would be acceptable. Mr. Barratt replied Mr. Conklin's statement of the intent was correct.

Chairwoman Smith asked for testimony in support of A.B. 521; there was none. She asked for testimony in opposition to or neutral on A.B. 521.

Jeanette Belz, speaking on behalf of the Property Casualty Insurers Association of America, said she had signed in as neutral, but she did not understand the reason for deleting section 6, subsection 4, because that section had provided assurance that the monies would not be combined.

Mr. Barratt responded the intent was not to diminish the Division of Insurance's accountability to the different stakeholder groups in any way. The intent was only to clarify the structure of the Division. The enterprise fund would be comprised of individual accounts. He explained the offending words in section 6, subsection 4 of A.B. 521 were, "combined with other money within the Fund." The intent of the Governor's recommended budget was to be able to place the funds in one account but not diminish the accountability of the revenue sources and expenditures for which those revenues were required by law to be spent.

Chairwoman Smith asked Mr. Barratt to submit a written amendment to Fiscal staff, and the Committee would consider the amended bill. She closed the hearing on A.B. 521 and opened the hearing on Assembly Bill 528.

**Assembly Bill 528: Authorizes the transfer of money received to carry out provisions relating to the medical use of marijuana for certain purposes. (BDR 40-1182)**

Phil Weyrick, Administrative Services Officer, Health Division, Department of Health and Human Services, testified Assembly Bill 528 amended *Nevada Revised Statutes* (NRS) Chapter 453A to allow the transfer of excess fee revenue in the medical marijuana registry to the Division of Mental Health and Developmental Services (MHDS). He said it was anticipated the transfer would be \$700,000 in each year of the biennium, for a total of \$1.4 million.

Assembly Bill 528 would assure that the medical marijuana registry would retain sufficient funding to meet all program needs. Mr. Weyrick said fees collected in



excess of the program's needs would be transferred to support certain treatment areas.

Mr. Weyrick said the medical marijuana registry had accumulated a considerable reserve in the past few years because of staff vacancies and efficiencies gained from process improvements. The reserve had grown as funds were carried forward from year to year for the purpose of operating the registry. He said the program had experienced a large increase in participants since it was transferred to the Health Division in 2009, and the fee revenue associated with the increase had added to the increase in reserve.

Mr. Weyrick further explained the Health Division had not increased fees in the program but had maintained the fees established by the State Department of Agriculture in 2009. The fees were \$50 for receiving an application packet and \$150 for processing a completed application, which included the cost of a criminal background check paid to the Department of Public Safety.

Mr. Weyrick said the budget for the medical marijuana registry had been enhanced to add staff sufficient to operate the registry and support the operational needs. At the Joint Subcommittee on Human Services/CIP budget hearing, the Subcommittee asked the Health Division to provide an updated analysis of fee revenue projections for fiscal years 2012 and 2013. Legislative Counsel Bureau (LCB) Fiscal Division staff had recommended closing the budget with revenues of \$877,861 in fiscal year 2012 and \$965,647 in fiscal year 2013. Mr. Weyrick stated that based upon the proposed revenue, the Health Division was confident that the registry would continue to improve its operations, be able to meet the program expenses, and have sufficient fee revenue to accomplish the transfer.

Mr. Weyrick added that there was a proposed amendment to A.B. 528 that would delete the requirement in section 1, subsection 2, to "transfer to the State Grant and Gift Account for Alcohol and Drug Abuse created by NRS 458.100 money in the account created pursuant to subsection 1 that is not needed to carry out this chapter." He explained the new language would authorize the Administrator to transfer money that was not needed to the Substance Abuse Prevention and Treatment Agency (SAPTA) in the Division of Mental Health and Developmental Services.

Continuing, Mr. Weyrick explained that section 2, subsection 2 was also amended to delete the requirement to account for funds separately within the State Grant and Gift Account for Alcohol and Drug Abuse created by *Nevada Revised Statutes* (NRS) 458.100. The new language would require the Administrator to account for the funds separately within the SAPTA budget.

Any money received pursuant to NRS 453A.730 remaining in the account at the end of the fiscal year would not revert to the State General Fund, and the balance would carry forward to the next fiscal year.

Chairwoman Smith reminded Committee members that the item was not closed by the Joint Committee. She asked whether the intent of the bill was to use the funds for a specific purpose.

Mr. Weyrick replied the bill was very general in the sense that the money would be transferred to SAPTA for certain programs.

Chairwoman Smith affirmed the money would not necessarily go to the program that was in the budget because of the way the bill was written. Mr. Weyrick replied she was correct.

Mike Willden, Director, Department of Health and Human Services, explained the intent of A.B. 528 was to transfer the excess medical marijuana money directly into a separate category in the SAPTA budget for drug and alcohol services for child welfare families. He reminded the Committee that an interim study had been conducted that identified several needs in the child welfare system to help avoid moving children and to provide the community supports needed for the families, and drug and alcohol treatment was one of them.

Mr. Willden said the excess money from the marijuana program would be transferred to the SAPTA account in a separate category to fund services for families referred from the child welfare agencies. It would be separately accounted for and have a separate request for proposal process. It would only serve families referred from the child welfare agencies.

Chairwoman Smith thanked Mr. Willden for clarifying the intent of the bill and its amendments. She asked for questions from the Committee.

Assemblywoman Mastroluca expressed concern with setting aside funds to create a new program when there were programs in place, such as the Differential Response Program (DRP), that worked to keep families together and keep children in their homes. She said although the program was relatively new, it was working very well, and she wondered whether more funds should be invested in it rather than create a new program.

Diane Comeaux, Administrator, Division of Child and Family Services (DCFS), Department of Health and Human Services, remarked she was excited that Assembly Bill 528 had come forward for many reasons. She said a program improvement plan had been conducted through the Division's review, and one

of the findings of the review was that it lacked an appropriate service array to provide services to the families: there were not a sufficient number of mental health or substance abuse programs to which families could be referred.

Ms. Comeaux explained once a child was removed from his family, DCFS had 24 months to find permanency for the child, either by returning him to his home or terminating parental rights and moving toward adoption. She said when a family with substance abuse issues was on a waitlist for six or eight months and could not start treatment until after that time, the family was six or eight months behind. Ms. Comeaux said substance abuse was one of the most significant issues in abusive families, and the Division hoped that the new program would eliminate the waitlist: families could go into treatment immediately. She added \$700,000 would not resolve the problem, but it would be a good beginning toward resolving it.

Ms. Comeaux further explained the bill did not involve the start of a new program. The SAPTA had been asked to do a separate request for proposal because the families involved had significant needs outside of just substance abuse treatment. She said the whole family would be served through the program, which would enable individuals with expertise in providing substance abuse treatment through SAPTA to bid specifically on the project.

Assemblywoman Mastroluca asked whether the program could work hand in hand with the Differential Response Program.

Ms. Comeaux explained DRP generally served families with less significant problems—not necessarily substance abuse. Safety risks for children in a family with substance abuse problems were much higher than they were for cases referred to DRP.

Chairwoman Smith affirmed all of the money would be used for treatment. Ms. Comeaux replied it would be used specifically for treatment, and the request for proposals would determine whether the treatment would be inpatient or outpatient.

Chairwoman Smith asked for testimony in support of or in opposition to Assembly Bill 528.

Rebecca Gasca, Legislative and Policy Director, the American Civil Liberties Union (ACLU) of Nevada, testified the ACLU rarely took a position on budgetary effects of specific levels of funding, but it made an exception with A.B. 528 because of the constitutionality of the medical marijuana program.

Ms. Gasca had previously testified that ten years before, voters in the State of Nevada overwhelmingly passed the medical marijuana amendment to the *Nevada Constitution*, which allowed patients to participate in the medical marijuana program. The vote was approved by 65 percent of the voters, and she speculated that if the question was voted on again, the approval rate would exceed 85 percent. Nevadans overwhelmingly supported the program.

Following approval of the measure, Ms. Gasca recalled, the Legislature created *Nevada Revised Statutes* (NRS) Chapter 453A, which provided a means through which patients could register with the State of Nevada to be legitimate medical marijuana patients. She said the law had not changed since the passage of NRS Chapter 453A ten years ago, except for the transfer of the program from the State Department of Agriculture to the Department of Health and Human Services in the 75th Session (2009).

Ms. Gasca stated ACLU appreciated the efforts of DHHS in support of the program. She understood some budgetary complications prevented the program from being adequately staffed, which often resulted in processing wait times of six to eight months. Patients had died waiting to be approved to become a medical marijuana patient.

However, Ms. Gasca continued, NRS Chapter 453A never established a way in which patients could actually purchase their medical marijuana from a legitimate source. Patients could only grow up to seven plants, four immature and three mature, for their own use, which required an equipment investment of \$3,000 to \$5,000. She noted that most patients did not have those kinds of funds available and therefore had to rely on the black market.

Ms. Gasca said that many patients did not even have the money to register for the program, and while she was glad to hear that there were excess revenues, the ACLU believed the excess revenues should be reinvested in the program for such uses as educating doctors about the program and educating patients about the legal aspects of the program. Ms. Gasca said medical marijuana programs were fairly new in the United States over the past 10 to 15 years. Many states had legalized medical marijuana and some had gone as far as decriminalizing it. There were many unanswered questions regarding how marijuana was classified federally and within the states. She said it was important to keep the funds within the program to not only educate patients, but also to look at the long-term and short-term fiscal impacts of the way NRS Chapter 453A was drafted.

Continuing, Ms. Gasca said she had many stories of patients who had to resort to buying their medicine on the black market to relieve the pain and suffering of

their loved ones. Until recently, her life had not been touched personally, but her best friend's parents were now experiencing serious health problems and unable to obtain health insurance to cover the enormous costs of treatment and medications. Ms. Gasca had to tell her friends that purchase of medical marijuana was not possible: the only options for them were to apply for the program and grow their own or buy marijuana on the black market.

Ms. Gasca urged the Committee to retain excess revenues in the program and perhaps form an advisory committee to develop a long-term plan to administer the program in a fiscally responsible manner.

Chairwoman Smith asked for further testimony either in support of or in opposition to the bill. There was none, and she closed the hearing on A.B. 528.

## **BUDGET CLOSINGS**

### **HUMAN SERVICES**

#### **MENTAL HEALTH AND DEVELOPMENTAL SERVICES**

##### **HHS-MHDS—ADMINISTRATION (101-3168)**

##### **BUDGET PAGE DHHS MHDS-1**

Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained budget account (BA) 3168, Administration, was characterized as the Division's central office, and the major closing issues involved the reductions recommended in The Executive Budget for travel, training, and the elimination of four positions. He reviewed each of the reduction recommendations:

- Elimination of all out-of-state travel, approximately \$2,200 each year, which had been used primarily for staff to attend association meetings and conferences.
- Elimination of training funds for the central office staff in the amount of \$3,741 each year.
- Reduction of in-state travel by \$10,349 each year, which amounted to a 39 percent decrease compared to the base amount of \$28,618. The Division would have to reduce trips between Carson City and Las Vegas by one trip per month.

Mr. Chapman said Fiscal staff had no issues with the reductions in travel and training expenditures.

Continuing, Mr. Chapman explained the Governor had recommended the elimination of four positions from the Administration budget:

- A clinical program manager 2 responsible for oversight of the Division's planning and performance improvement unit. The unit was responsible for evaluating agency performance, accreditation issues, investigations of client and personnel issues, grant management activities, and monitoring of various reporting mechanisms for the Division.

Mr. Chapman noted that during the Joint Subcommittee budget hearing, the Division indicated the duties of the position would be redistributed to the clinical program planners in the central office, as well as the agency clinical program managers.

- A management analyst 4 position, which served primarily as the Division's Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy officer and provided internal staff training and oversight of the peer Consumer Assistance program.

Mr. Chapman said the responsibilities for HIPAA compliance had been delegated to other staff, training had essentially been suspended because of ongoing budget reductions, and the oversight of peer positions had been transferred to the agency level.

- An accounting assistant 1 position, which had been responsible for monitoring, posting, and reconciling incoming electronic remittance advices in addition to editing and submitting billing claims to third-party payers.

Mr. Chapman said the Division anticipated its billing volume would decrease because of the recommended budget reductions in the Governor's budget, and other duties would be absorbed by remaining staff.

- A quality assurance specialist 3 position that was primarily responsible for managing grants and programmatic oversight related to residential support services. Duties also included the collection of data on serious incidents and monitoring of implementation of corrective actions.

Mr. Chapman said the Division anticipated a similar reduction in the volume of activities related to the recommendation to eliminate the position, and the rest of the duties would be assumed by remaining staff.

Mr. Chapman asked whether the Committee wished to approve the Governor's recommendation to eliminate the four positions, as well as the reductions in travel and training expenses.

ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF THE GOVERNOR'S RECOMMENDATION.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Chapman stated other closing items included:

- Transfer of the administrative services officer (ASO) 2 from the Rural Regional Center to the central office account. The position would oversee the recently implemented cost allocation plan that was approved effective July 1, 2010, and would act as the ASO for the Substance Abuse Prevention and Treatment Agency (SAPTA) because the Governor recommended eliminating the ASO position in the SAPTA budget.
- Transfer of an administrative assistant 2 position from the Southern Nevada Adult Mental Health Services' (SNAMHS') budget to the Administration account as part of the Division's continued effort to centralize its billing services function.
- Continued funding in the base budget for the psychiatric residency program of \$294,165 per year in northern Nevada and \$550,201 per year in southern Nevada.

Mr. Chapman stated Fiscal staff recommended the remainder of the MHDS Administration account be approved as recommended by the Governor, including technical adjustments by Fiscal staff.

ASSEMBLYMAN HARDY MOVED FOR APPROVAL OF THE GOVERNOR'S RECOMMENDATION AND TECHNICAL ADJUSTMENTS MADE BY FISCAL STAFF.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**HUMAN SERVICES**

**MENTAL HEALTH AND DEVELOPMENTAL SERVICES**

**HHS-MHDS—MENTAL HEALTH INFORMATION SYSTEM (101-3164)**

**BUDGET PAGE DHHS MHDS-11**

Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, testified that funding for the Division of Mental Health and Developmental Services' (MHDS') information technology (IT) systems was included in budget account (BA) 3164. The major closing item was the Governor's recommendation to eliminate one IT professional position. The position was responsible for maintaining the Division's website and for data extraction activities at Northern Nevada Adult Mental Health Services (NNAMHS) for core measure reporting needs. The recommendation reduced General Funds by \$89,476 in fiscal year (FY) 2012 and \$90,573 in FY 2013.

Mr. Chapman said the Division had indicated that core measure reporting was one of the requirements for maintaining accreditation with the Joint Commission. In response to questions from the Joint Subcommittee, the Administrator noted that if the data could not be provided to the Joint Commission, the Division's accreditation could be affected. However, during the budget hearings, the Administrator noted that the remaining staff should be able to generate the desired information as the Division continued to automate more of its data extraction processes. The Administrator also indicated that remaining staff should be able to administer the Division's website without additional support from the Department of Information and Technology.

Mr. Chapman asked whether the Committee wished to approve the Governor's recommendation to eliminate the IT professional position. There were no other closing items in the account, and Fiscal staff recommended the remainder of the Mental Health Information System account be approved as recommended by the Governor.

ASSEMBLYMAN KIRNER MOVED FOR APPROVAL OF THE  
GOVERNOR'S RECOMMENDATION.

ASSEMBLYMAN CONKLIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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HUMAN SERVICES  
MENTAL HEALTH AND DEVELOPMENTAL SERVICES  
HHS-MHDS—ALCOHOL TAX PROGRAM (101-3255)  
BUDGET PAGE DHHS MHDS-17

Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained funding for the Alcohol Tax Program was provided by a portion of the tax collections on liquor containing more than 22 percent by volume. The account was essentially a pass-through account for support of treatment programs provided by nonprofit and community coalitions.

Mr. Chapman noted that the Joint Subcommittee had not reviewed the account, but the revenues and expenditures were essentially to fund staff to provide detoxification and rehabilitation services. Fiscal staff recommended closing the account as recommended by the Governor.

ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF THE  
GOVERNOR'S RECOMMENDATION.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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HUMAN SERVICES  
MENTAL HEALTH AND DEVELOPMENTAL SERVICES  
HHS-MHDS—FAMILY PRESERVATION PROGRAM (101-3166)  
BUDGET PAGE DHHS MHDS-27

Mike Chapman, Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained there were two major closing issues in budget account (BA) 3166, and he recommended they be considered together.

- Supplant General Funds with tobacco settlement funds. Mr. Chapman said the Governor recommended replacing \$1.2 million of General Funds in fiscal year (FY) 2013 with funds transferred from the Trust Fund for Public Health resulting from the anticipated April 2012 receipt of tobacco settlement funds. He said the recommendation related to a suggestion from the Legislative Committee for the Fundamental Review of the Base Budgets of State Agencies to the Interim Finance Committee (IFC) for the

Legislature to consider other uses of tobacco settlement funds to offset General Funds in other Department programs.

Mr. Chapman explained the award of tobacco settlement funds scheduled for April 2012 and budgeted for expenditure in FY 2013 was in question because of ongoing dispute and arbitration proceedings between the tobacco manufacturers and the various states participating in the Master Settlement Agreement. He said currently the Fiscal staff was not aware of any timeline for resolution of the arbitration.

- Caseload increase. Mr. Chapman said the second major issue was the Governor's recommendation to increase the number of families to be served in the Family Preservation Program in the upcoming biennium. The Governor recommended General Fund appropriations of \$268,906 in FY 2012, which would phase in support for an additional 72 families, and \$386,342 in FY 2013 to continue the additional 72 families and an additional 26 families. He said the result would be an increase in the number of families served in the program from 528 to 626 by the end of the biennium. Mr. Chapman added that the Governor's funding recommendations would maintain the current monthly allotment at \$374 per family.

As noted in the first item, Mr. Chapman said there was uncertainty whether tobacco settlement funds would be available, which could potentially jeopardize the Division's ability to continue the current monthly payments to the 528 families budgeted in the program. The phase-in of 72 additional families in FY 2012 and 26 additional families in FY 2013 would further exacerbate the Division's ability to maintain a level of monthly payments to participating families. As an example, he said if tobacco settlement funds were not available in FY 2013, only \$1.6 million in General Fund would be available in FY 2013, which would cause the monthly allotment for the existing caseload of 528 families to decrease from \$374 per month to \$251 per month. If the 72 families were added in FY 2012, increasing the caseload to 600, the monthly allotment would be further reduced to \$221. Mr. Chapman explained the calculations were based on the General Fund appropriations recommended in decision unit Maintenance (M) 200 that would increase the caseload.

Mr. Chapman stated that *Nevada Revised Statutes* (NRS) 435.365 required that persons and families eligible for the program were entitled to receive a monthly allotment as established by legislative appropriation each year. Accordingly, as more families sought assistance in the program over the legislatively approved number, monthly assistance payments would need to be decreased to accommodate all eligible families.

Continuing, Mr. Chapman said that Senate Bill 437, as introduced, would amend NRS 435.365 to limit the number of participating families to within the legislatively approved funding levels and the monthly allotments to avoid decreasing the allotments. He said that in the past, decreasing allotments during a given fiscal year had made it difficult for participants to budget for personal services used to care for the child within the home environment. If S.B. 437 passed, there would be a cap on the program, and additional families seeking participation in the program would have to be placed on a waitlist.

Given the concerns whether tobacco settlement funds would be available in FY 2013, Mr. Chapman said staff had prepared three options for the Committee's consideration:

- Approve decision unit M200, as recommended by the Governor, which would serve 72 more families in FY 2012 and 26 families in FY 2013 and supplant General Funds in FY 2013 with tobacco settlement funds of \$1.2 million.
- Approve additional General Funds of \$268,906 in FY 2012 and \$386,342 in decision unit M200 and supplant General Funds with tobacco settlement funds in FY 2013, as recommended by the Governor, but direct the Division through a Letter of Intent to delay adding new families to the program until such time a decision was reached in the tobacco settlement proceedings.

This option would continue the full \$374 monthly payments to 528 families in FY 2012, and if a favorable decision was reached in the arbitration, the Division could begin adding families to the program at a more accelerated rate than recommended by the Governor. If a settlement decision was not reached in 2012, the Division could continue to serve the 528 families in FY 2013, and should a favorable decision be made during that time, the Division could begin to add families to the program. Regardless of when a decision was reached, the Committee may wish to consider retaining the monthly allotment at the current amount of \$374.

Mr. Chapman said if an unfavorable arbitration decision was reached during the 2011-2013 biennium, the Division should be instructed to approach the Interim Finance Committee (IFC) with a plan to either reduce the monthly allotment, request an allocation from the Contingency Fund to maintain the current allotment to the 528 families, or submit another alternative for the IFC to consider.

- Approve additional General Funds of \$386,342 in FY 2013 only, as recommended by the Governor in decision unit M200, but not approve the Governor's recommendation to replace General Funds with tobacco settlement funds of \$1.2 million in FY 2013.

Mr. Chapman said if this option was chosen, the Committee should consider freezing the current caseload of 528 families, which would require the General Funds included in the base budget of \$2,369,664, but not include the General Funds in M200 (\$268,906) in FY 2012. However, additional General Funds of \$773,354 would be required in FY 2013 to maintain the current \$374 allotment for 528 families. The net General Fund increase in this option would be \$504,448 over the 2011-2013 biennium.

Mr. Chapman said there were no other closing items for consideration in BA 3166.

Assemblywoman Mastroluca said the matter was discussed in the Joint Subcommittee, and she recommended the Committee choose option 2, which would allow continued funding of the families at the full \$374 per month allotment. She recalled that if the tobacco settlement arbitration outcome was negative, all of the states would be penalized equally. Option 2 would be the safest choice, and she recommended the current monthly allotment be retained regardless of the decision reached.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL OF  
OPTION 2.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

Assemblyman Goicoechea asked when the litigation of the tobacco settlement funds began. Mr. Chapman understood it began in July 2010.

Assemblyman Goicoechea asked whether a settlement was anticipated before the end of the current biennium. Mr. Chapman replied he could not say.

Mike Willden, Director, Department of Health and Human Services, testified he was not sure when a settlement or agreement would be reached. The 2011-2013 biennial budget was built based on the Fund for a Healthy Nevada receiving approximately \$18 million from the tobacco settlement funds and approximately \$3.8 million for the Trust Fund for Public Health. He noted that Senate Bill 421 proposed the elimination of the Trust Fund for Public Health.

Mr. Willden reiterated the biennial budget was based on those amounts, and if they did not materialize, there would be several holes in the budget.

Assemblyman Goicoechea affirmed that technically, the tobacco settlement funds were currently budgeted, and it would not make sense to approve \$1.2 million in tobacco settlement funds as recommended by the Governor in decision unit M200.

Mr. Willden replied that the \$18 million and \$3.8 million in anticipated tobacco settlement funds were budgeted in many places: Senior Rx, Disability Rx, Independent Living Services for Seniors, Children's Health Programs, and Disability Services. He noted the Millennium Scholarship received 40 percent of the allotment, and DHHS received 60 percent, which funded six major categories of services.

Chairwoman Smith remarked the Department would have a serious problem if the tobacco settlement funds were not received. Mr. Willden said that was true.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, wanted to clarify that option 2 would not take any money out of the proposal. It would approve the authority to expend the funds but require the Division, through a Letter of Intent, to proceed with caution in adding families to the program going forward until at least the first year the tobacco settlement funding was resolved. Approval of option 1 would allow the Division to start adding families to the program, and option 3 would replace a portion of the tobacco funding with General Funds.

Chairwoman Smith clarified that option 2 would basically comply with the Governor's recommendation and require a Letter of Intent to the Department to proceed with caution.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**ELECTED OFFICIALS**  
**SOS—SECRETARY OF STATE (101-1050)**  
**BUDGET PAGE ELECTED-122**

Brian Burke, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there were five major closing issues associated with budget account (BA) 1050, Secretary of State.

1. Discussion of Revenue and Reserve Estimates. Mr. Burke said The Executive Budget proposed to balance forward settlement receipts, securities fines revenues, and unspent fiscal year (FY) 2010 domestic partnership fees and to use them as a funding source in the Office of the Secretary of State's (Office) main operating account. The Executive Budget included balances forward of \$2.84 million in fiscal year (FY) 2012 and \$1.16 million in FY 2013. He said the majority of the balance forward revenues were one-time in nature and should not be counted upon to continue beyond the 2011-2013 biennium.

As noted during the Office's budget hearings, Mr. Burke said The Executive Budget overstated the unspent revenue amounts available to balance forward. The Fiscal Division had worked with the Budget Division and the Office on a revised reconciliation that would lower anticipated balance forward amounts by \$352,599 in FY 2012. The action did not take into account the additional settlement receipts approved by the Interim Finance Committee (IFC) at its April meeting.

Mr. Burke went on to explain that estimated revenues also required adjustment. Based on FY 2011 year-to-date receipts, domestic partnership fee revenues should be reduced from \$115,685 per year to \$46,200 per year. The Office also increased its estimates of fines associated with the enforcement of securities statutes to \$311,000 annually (up from \$205,933 and \$202,919 in FY 2012 and FY 2013, respectively). The necessary changes were reflected in the closing document.

Mr. Burke said the decision for the Committee was whether it wished to approve the revised revenue and reserve estimates recommended by Fiscal staff.

ASSEMBLYMAN CONKLIN MOVED FOR APPROVAL OF FISCAL  
STAFF'S RECOMMENDATIONS.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

2. Additional Settlement Receipts and Expenditures. Mr. Burke recalled the Office received an additional \$1.026 million from a securities settlement with Merrill Lynch, which was approved at the April 18, 2011, IFC meeting. The settlement resulted from negotiations between state securities regulators and brokerage firms arising from securities violations.

Mr. Burke said that pursuant to the provisions of *Nevada Revised Statutes* (NRS) 90.851, the funds must be used to pay the expenses for investigations involving securities, to enforce the provisions of the Securities Act, and to provide educational programs for the public relating to the operations of the Division.

Mr. Burke recalled that the Interim Finance Committee (IFC) authorized the Office to use settlement revenues in FY 2011 to fund investigations and enforcement currently funded with General Fund, and then to use up to \$305,000 of the resulting available General Fund for the Nevada Technology Based Economic Development program. The IFC also approved reserving \$721,640 of the 2011 settlement receipts to support several additional items in the 2011-2013 biennium, including:

- A new Business Portal administrator for the upcoming biennium not included in the Governor's recommended budget.
- A professional consultant to improve customer service operations.
- A securities data management system analysis.
- Unspecified reserves.

Mr. Burke noted that Fiscal staff had reflected the adjustments to the closing sheets that would be necessary to include the additional items. However, prior to the Committee deciding on the items, Mr. Burke said it was important to discuss the current limitations on the usage of the settlement funding and proposed legislation to address the limitations. As he had previously noted, NRS 90.851 provided that the funds must be used to pay the expenses for investigations involving securities and the other items mentioned previously. Pursuant to the provisions, the Governor's recommended budget for the 2011-2013 biennium proposed to use settlement and enforcement revenues, balanced forward from previous years, to fund investigations and enforcement staff currently funded with General Fund. He said the budget then proposed to use the resulting available General Fund to support the general operating budget of the Office.

Mr. Burke pointed out that the Governor's 2011-2013 budget nominally exceeded the funding replacement ceiling established by NRS 90.851. Because the ceiling was already exceeded under the provisions of NRS 90.851, the Office would be unable to use the additional settlement revenues to fund the portal administrator and the customer service process analysis. Further, Mr. Burke explained, any unexpended balance of FY 2011 revenues targeted for the economic development plan authorized by the IFC in April would exceed the ceiling and could not be used for this purpose in FY 2012. However, to address the limitations, he said Senate Bill 431 would modify NRS 90.851 to allow revenues resulting from enforcement actions to be used for any purpose related to the Office of the Secretary of State such as those proposed. The bill was referred to the Senate Committee on Finance on March 28, 2011.

Mr. Burke said NRS 90.851 also provided that the Secretary of State may carry forward unexpended balances of the enforcement revenues. Section 7 of the Authorizations Act of the current biennium (Senate Bill No. 431 of the 75th Session [2009]) provided that for agencies or accounts funded with General Fund appropriations, the appropriations must be decreased to the extent that receipt of money from other sources was exceeded. However, he explained, section 18 of the Act currently allowed the Secretary of State to carry forward enforcement revenues notwithstanding the provisions of section 7 of the Act.

Mr. Burke further explained that Senate Bill 431 would also expand NRS 90.851 to provide that enforcement and settlement revenues would supplement any amount appropriated to the Secretary of State. It further provided that no appropriation from the State General Fund may be decreased as a result of money being deposited or used, regardless of the amount.

Mr. Burke said that after making all of the noted balance forward and revenue adjustments, and accounting for the potential additional expenditures previously discussed, the FY 2013 budgeted ending reserve would total \$488,169. The reserve included a \$100,000 educational earmark required to satisfy a 2009 auction rate securities settlement requirement, and it also included \$50,000 to maintain a 60-day cash flow for investigations and enforcement operating costs. Mr. Burke said after accounting for the obligated reserves, there would be \$338,169 remaining in reserve without a specified purpose; closing adjustments to assessments and cost allocations may affect the balance.

Mr. Burke stated there were two matters for the Committee's consideration:



- Did the Committee wish to approve the use of settlement reserves to fund the new Business Portal administrator position, the customer service process analysis, and the securities data management system analysis consistent with the actions of the IFC on April 18, 2011, which reserved funding for these purposes? If so, it would be necessary to expand the allowable use of revenues generated from the enforcement of securities actions to other purposes related to the Office of the Secretary of State as proposed in S.B. 431. As an alternative, back language could be added to the 2011 Authorizations Act to accomplish this task.

Mr. Burke noted that the Senate Finance Committee had recently approved the use of settlement reserves for the noted purposes and chose to use the Authorizations Act back language to expand the allowable use of the revenues.

Chairwoman Smith affirmed that the back language of the Authorizations Act would be used in lieu of processing S.B. 431.

Mr. Burke replied yes, at least for the provisions that would expand the use of the settlement revenues for other purposes in the Office of the Secretary of State. There was another portion of the bill that would prohibit decreasing General Fund if additional settlement revenues were received.

Chairwoman Smith asked for a motion for approval of the use of settlement reserves as outlined by Mr. Burke.

ASSEMBLYMAN OCEGUERA MOVED FOR APPROVAL OF THE USE  
OF SETTLEMENT RESERVES AND ADDING THE BACK LANGUAGE  
TO THE AUTHORIZATIONS ACT.

ASSEMBLYWOMAN CARLTON SECONDED THE MOTION.

Assemblyman Hickey asked whether the Legislative Counsel Bureau Legal staff had an opinion on the use of the settlement reserves. He recalled discussing the matter with Legislative Counsel during the IFC meeting.

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, replied when the item was discussed in the IFC meeting, the purpose was to use a portion of the funds for an economic development proposal and to reserve the remaining funds. Legislative Counsel concurred that the statutes would need to be revised to allow the Office to use the funds going forward in this manner.

THE MOTION CARRIED. (Assemblyman Hambrick voted no.)

Continuing, Mr. Burke asked whether the Committee wished to allow the Office of the Secretary of State to retain an unobligated reserve balance of \$338,169 for unspecified purposes or to redirect the unobligated funding for other purposes during the 2011-2013 biennium.

Mr. Burke pointed out the amount may require minor modification when assessments were finalized. He noted that the Senate Finance Committee had chosen to allow the Office to retain the unobligated reserve but required IFC approval prior to expenditure.

ASSEMBLYMAN OCEGUERA MOVED FOR APPROVAL OF THE SAME CLOSING AS THE SENATE FINANCE COMMITTEE, WHICH WOULD ALLOW THE OFFICE OF THE SECRETARY OF STATE TO RETAIN THE RESERVE BALANCE AND REQUIRE IFC APPROVAL PRIOR TO EXPENDITURE OF THE RESERVES.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

3. State Business Portal Build-Out. Mr. Burke recalled that Assembly Bill No. 146 of the 75th Session (2009) appropriated \$6.52 million to the IFC for allocation to the Office of the Secretary of State to design, develop, and implement the State Business Portal. The primary goal of the portal was to facilitate transactions conducted between businesses and governmental agencies and to ultimately enable an entity to pay all fees required to organize, register, and conduct business in Nevada in a one-stop process.

Mr. Burke explained that, as requested by the Office of the Secretary of State in decision unit Enhancement (E) 280, the Governor recommended General Fund appropriations of \$250,000 per year for contract services to build out the State Business Portal to allow interfaces with other agencies. Fiscal staff asked the Office to identify other agencies and functions that would be added to the portal during the 2011-2013 biennium. The Office identified Clark County, Las Vegas, and Carson City as the next partners to offer expanded portal services. The Office noted the local jurisdictions were working with the portal team on the specifications and requirements necessary to allow them to participate.

Mr. Burke said the decision for the Committee was whether to approve \$250,000 per year for contract services to build out the State Business Portal to allow interfaces with other agencies as requested by the Secretary of State and recommended by the Governor.

ASSEMBLYMAN BOBZIEN MOVED FOR APPROVAL.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

4. Create New Business Portal Account. Mr. Burke explained the Secretary of State had requested to create a new Business Portal budget account (1058), which would be independent from the Office's main operating account to separately track all costs related to the Business Portal. The Office indicated that creating the new account would facilitate a more accurate picture of expenses related to the operation of the Business Portal. The proposed transfer would be accomplished through decision units E900 and E903.

Mr. Burke said the recommendation to establish a new account to independently track the costs of the Business Portal appeared reasonable to Fiscal staff, and he asked whether the Committee wished to approve the new account as recommended.

ASSEMBLYMAN AIZLEY MOVED FOR APPROVAL.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

Assemblyman Goicoechea stated the Governor had recommended creating the account, but he asked whether the approximate \$2 million appropriation each year of the biennium to fund three information technology positions was included in the Governor's recommended budget.

Mr. Burke replied the appropriations were currently in the Secretary of State's main operating account, and through this transaction, they would be moved to the new independent Business Portal account.

THE MOTION CARRIED UNANIMOUSLY.

5. Transfer Notary Position to a Non-Executive Budget. Mr. Burke explained that as requested by the Secretary of State, the Governor proposed to transfer one administrative assistant 2 position and associated costs to the Notary Public Training budget account (1057), which was an account outside of The Executive Budget. The position provided direct support for mandatory training of notaries public. The Notary Public Training account was funded with a 25 percent share of training fees directed to the account pursuant to NRS 240.018. The position was currently funded with General Fund

appropriations in the main operating account (1050). The transfer would result in General Fund savings of \$49,829 in FY 2012 and \$50,746 in FY 2013.

Mr. Burke noted that the funding source change appeared reasonable. However, Fiscal staff was not supportive of the proposal to move the administrative assistant position to an account outside of The Executive Budget. There had been limited instances where positions were placed outside of The Executive Budget, and doing so complicated the position control and increased the difficulty of accurately reporting statewide position counts. Fiscal staff would prefer that the position remain in the Secretary of State's main operating account. The position could still be funded with transfers from the Notary Public Training account, resulting in the General Fund savings envisioned in the Governor's recommended budget. Mr. Burke had discussed the matter with representatives of the Office of the Secretary of State, and the Office did not object to Fiscal staff's recommendations.

Mr. Burke said Fiscal staff suggested the position remain in the main operating account and be supported with funding transfers from the Notary Public Training account. The closing sheet reflected the changes that would be necessary in the Office's main operating account to implement staff's recommendation.

Mr. Burke asked whether the Committee wished to make the change proposed by Fiscal staff.

ASSEMBLYMAN HICKEY MOVED FOR APPROVAL OF THE  
FISCAL STAFF RECOMMENDATION.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Burke explained other closing items for budget account 1050:

1. Budget Amendment—Imaging. Mr. Burke explained The Executive Budget proposed to eliminate the State Micrographics and Imaging Program (Imaging and Preservation Services). The Budget Division subsequently submitted a series of budget amendments that would restore a downsized version of the program (Imaging and Preservation Services) within Archives and Records in the Department of Administration. The Budget Division submitted a companion budget amendment for the Office of the Secretary of State to remove General Fund appropriations and expenditures associated with Imaging and Preservation Services. Agencies would not be charged directly for services during the

2011-2013 biennium. Imaging and Preservation Services charges would be allocated during the 2013-2015 biennium as part of the Statewide Cost Allocation Plan.

Mr. Burke asked whether the Committee wished to approve the budget amendment to remove General Fund appropriations and expenditures associated with Imaging and Preservation Services, as the Office would not be charged directly for these services in the upcoming biennium. He noted that if the Committee voted to do so, the decision should be subject to approval of the amended proposal to restore Imaging and Preservation Services within Archives and Records.

Chairwoman Smith recalled that in discussions with the Budget Division, three positions would be restored to Imaging and Preservation Services.

ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Unless there was an objection from the Committee, Mr. Burke stated he would address items 2, 3, and 4 together and item 5 separately; there was no objection.

2. Inflation (M100). Mr. Burke explained decision unit M100 addressed the standard inflationary items, but the module also included \$84,013 in FY 2012 and \$61,861 in FY 2013 for the Department of Information Technology (DoIT) virtual server assessments that included infrastructure and DoIT staff support for the State Business Portal. He said the servers would be used in the portal development test, user acceptance testing, training, and the production environment. The recommendation appeared reasonable to Fiscal staff.

3. Budget Reduction to Eliminate an Administrative Assistant Position (E602). As requested by the Secretary of State, the Governor proposed to eliminate an administrative assistant position resulting in General Fund savings of \$39,166 in FY 2012 and \$40,089 in FY 2013. Mr. Burke said according to the Human Resource Data Warehouse, the position was currently vacant. The Office indicated that refinements to certain business processes had reduced the need for the administrative assistant, and there would be minimal impact to the Office as a result of elimination of the position. The recommendation appeared reasonable to Fiscal staff.

4. Replacement Equipment (E710). Mr. Burke said the Governor recommended a General Fund appropriation of \$292,738 in FY 2012 to replace computers, workstations, printers, and software. According to information provided by the Office, all existing equipment would be at least seven years old at the time of replacement. He said this recommendation appeared reasonable to Fiscal staff.

Mr. Burke asked whether the Committee wished to approve other closing items 2, 3, and 4 as recommended by the Governor.

ASSEMBLYMAN KIRNER MOVED FOR APPROVAL.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

5. Reclassify Public Information Officer Position. Mr. Burke stated the Governor recommended General Fund appropriations of \$6,339 in FY 2012 and \$6,748 in FY 2013 to reclassify the public information officer (grade 37) to unclassified status. The proposal would establish the unclassified salary for the position at the same level currently approved for the public information officer in the Office of the Attorney General, which was \$70,894 prior to the proposed 5 percent salary reduction.

Mr. Burke said the Senate Committee on Finance had approved the request as recommended by the Governor. He asked whether the Committee wished to approve the reclassification of the public information officer position from classified to unclassified status.

ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL OF  
ITEM 5 AND AUTHORIZED FISCAL STAFF TO MAKE CHANGES  
TO RESERVES, BALANCES FORWARD, ASSESSMENTS, AND  
OTHER TECHNICAL ADJUSTMENTS AS NECESSARY RESULTING  
FROM THE CLOSING ACTIONS TAKEN BY THE COMMITTEE.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

Assemblywoman Carlton noted the incumbent had the option to stay in the classified service rather than move to the unclassified service. If the individual decided not to move to the unclassified service, she asked whether the funds would be required.

Mr. Burke replied the Office indicated there would be a fiscal impact only if the incumbent chose to move to the unclassified service. He noted the Unclassified

Pay Bill routinely included language that allowed a person in a classified position that was moved to the unclassified service the option of remaining in the classified status at his or her current grade or to move to the unclassified service.

Assemblywoman Carlton asked whether the funds would revert to the General Fund if the incumbent decided not to move to the unclassified service.

Mr. Burke replied the expectation would be that the funds would revert, but unless the Committee made that specific motion, there was the possibility that the Office could use the funds for other purposes.

Chairwoman Smith said she assumed similar actions had been taken in other budgets without making reversion of funds a condition of the approval. She would have concern with requiring the reversion.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**ELECTED OFFICIALS**  
**SOS—HAVA ELECTION REFORM (101-1051)**  
**BUDGET PAGE ELECTED-131**

Brian Burke, Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said there were no major closing issues for the account. He reviewed the other closing items.

1. Voting Systems (Base). Mr. Burke said that at the request of the Committee at a previous budget hearing, the Office outlined anticipated services that would be provided under voting systems contracts:

- Equipment purchases necessary to replace worn or inoperable equipment, as well as new equipment, to meet the needs of a presidential election cycle (\$950,000).
- License fees (\$200,510).
- Extended warranties (\$514,361).
- Database production and Pre-Election Logic and Accuracy Testing (PreLAT) for 16 counties (\$327,459).
- Primary and General Election Day support (\$175,938).

- Configuration and installation of software on servers and laptops (\$22,171).

Mr. Burke asked whether the Committee wished to approve funding to continue the voting systems contract to provide services, warranties, and equipment.

ASSEMBLYWOMAN MASTROLUCA MOVED FOR APPROVAL.

ASSEMBLYMAN HOGAN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

2. General Fund Appropriation (Base). Mr. Burke said The Executive Budget included a General Fund appropriation of \$100 per year to continue access to the Interim Finance Committee (IFC) Contingency Fund for additional match in the event new federal awards became available. He said the recommendation appeared reasonable to staff. However, he noted there were no known grants available at this time that would require additional match.

3. Replacement Software (E710). Mr. Burke stated the request for replacement software was a nominal amount to upgrade existing software, and the recommendation appeared reasonable.

Mr. Burke asked whether the Committee wished to approve other closing items 2 and 3 as recommended by the Governor and to authorize Fiscal staff to make changes to reserves, balances forward, assessments, and other technical adjustments as necessary resulting from the closing actions taken by the Committee.

ASSEMBLYMAN KIRNER MOVED FOR APPROVAL OF ITEMS 2 AND 3 AS RECOMMENDED BY THE GOVERNOR AND TO AUTHORIZE FISCAL STAFF TO MAKE CHANGES TO RESERVES, BALANCES FORWARD, ASSESSMENTS, AND OTHER TECHNICAL ADJUSTMENTS AS NECESSARY RESULTING FROM THE CLOSING ACTIONS TAKEN BY THE COMMITTEE.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**ELECTED OFFICIALS**  
**SOS—STATE BUSINESS PORTAL (101-1058)**  
**BUDGET PAGE ELECTED-136**

Brian Burke, Senior Program Analyst, Fiscal Analysis Division, said there were two major closing issues in budget account 1058 that the Committee had previously covered in the Secretary of State's main account, and rather than review them again, Fiscal staff would implement the closing actions regarding the creation of this account and the addition of the new position consistent with the Committee's previous closing actions.

Mr. Burke went on to explain the two other closing items:

1. Realign Expenditures [Enhancement (E) 500 & E503]. Mr. Burke explained that in the current biennium, the State Business Portal development and operating costs were reflected in the Business Portal expenditure category in the main operating budget (BA 1050). With the creation of the Business Portal account, the Office requested, and the Governor recommended, that expenditures be segregated into traditional operating and information services categories.

Mr. Burke said that the recommended transactions appeared to be appropriate, and he asked whether the Committee wished to approve the realignment of expenditures into the traditional operating and information services categories as recommended by the Governor.

ASSEMBLYMAN KIRNER MOVED FOR APPROVAL.

ASSEMBLYMAN GRADY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

2. Cost Recovery. Mr. Burke recalled that at the March 9, 2011, meeting of the Senate Committee on Finance, the Office was asked whether it planned to establish a cost-recovery structure from local governments and other entities that would benefit from the Portal. The Office responded that the service-oriented architecture of the Portal would allow each participating agency to absorb the costs associated with the credit card discount fees. However, until the service-oriented architecture governance model was completed, the Office indicated it would be unable to provide the costs for interface technology that would be necessary to add new participants.

Mr. Burke said the Senate Finance Committee approved issuance of a Letter of Intent requesting the Secretary of State to provide semiannual reports to the Interim Finance Committee regarding the Office's evaluation of potential cost recoveries.

Chairwoman Smith asked whether the Committee wished to issue a Letter of Intent to require submission of semiannual reports to the Interim Finance Committee and to grant Fiscal staff authority to make technical adjustments, as necessary, to implement the closing decisions made by the Committee.

ASSEMBLYMAN GOICOECHEA MOVED FOR APPROVAL.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

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**COMMERCE AND INDUSTRY**  
**PUC—PUBLIC UTILITIES COMMISSION (224-3920)**  
**BUDGET PAGE PUC-1**

Julie Waller, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained the Public Utilities Commission of Nevada (PUC) regulated public companies that provided electric, natural gas, telephone, water, and sewer services. The Executive Budget recommended total funding of \$26.1 million for the 2011-2013 biennium, including reserves, which represented a decrease of approximately 5.1 percent from the \$27.5 million funding approved for the current biennium.

Ms. Waller said funding for the PUC was primarily derived from a mill assessment on gross utility operating revenues, statutorily capped at 3.5 mills. The Executive Budget recommended PUC's annual regulatory assessment rate at 2 mills for the 2011-2013 biennium, an increase of 0.01 mills from the FY 2011 assessment rate of 1.99 mills. The PUC noted that increasing the annual mill assessment rate by 0.01 mills would have no impact on the monthly residential ratepayer's bill.

Ms. Waller said the one major closing issue in the PUC budget was the retention of two positions currently funded with American Recovery and Reinvestment Act of 2009 (ARRA) grant funds. The Executive Budget recommended reserve

funding totaling \$304,486 over the 2011-2013 biennium to retain two unclassified positions currently funded with federal ARRA grant funds: an electrical engineer and a policy advisor. In fiscal year (FY) 2010, the PUC was awarded approximately \$816,274 in ARRA grant funds for various purposes, including the two positions to manage increases in renewable energy and regulatory activity. Ms. Waller said the positions were scheduled for elimination on February 1, 2012, when ARRA funding for the positions would expire. When the two positions were approved by the Interim Finance Committee (IFC) in the current biennium, PUC indicated that it would be requesting a continuation of funding for the positions once the ARRA grant funding expired.

Ms. Waller recalled that at the March 2, 2011, and March 9, 2011, budget hearings of the Assembly Committee on Ways and Means and Senate Committee on Finance, PUC testified that should the two unclassified positions not be approved to continue in the upcoming biennium, based on the level of activity, PUC would be required to either seek contract services to manage the renewable energy activities or the additional positions would be requested from the IFC.

Ms. Waller stated that based upon testimony and other supporting justification provided by PUC, Fiscal staff believed the recommendation appeared reasonable. She asked whether the Committee wished to approve reserve funding totaling \$304,486 over the 2011-2013 biennium to retain the two unclassified positions currently funded with ARRA grant funds.

ASSEMBLYMAN HARDY MOVED FOR APPROVAL.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Continuing, Ms. Waller reviewed other closing items:

1. Consulting Services. The Executive Budget recommended \$30,025 in reserve funding in FY 2012 to augment base funding in the Expert Consultants category. The PUC advised that additional funding in FY 2012 was necessary to retain a certified depreciation consultant to assist PUC in its review of the NV Energy depreciation case to be filed by June 1, 2011. Ms. Waller recalled that testimony provided by PUC during budget hearings indicated the Commission did not have the expertise to conduct a statutorily required depreciation study, and as a result, PUC contracted for highly-specialized services that were required on an irregular basis. In addition, Ms. Waller noted, The Executive Budget deaugmented base funding

of \$34,975 in FY 2013, and the resulting effect was an increase of \$4,950 in reserves in FY 2013.

2. Computer Hardware and Software Replacement. The Executive Budget recommended a combination of reserve funding of \$99,118 and federal gas pipeline safety grant funding of \$1,562 over the 2011-2013 biennium to replace computer hardware and software, including 54 desktop computers with monitors, 5 laptops, 7 printers, 4 servers, and various copies of software. Ms. Waller noted that the recommendation was in accordance with the Department of Information Technology's replacement guidelines.
3. Vehicle Replacement. The Executive Budget recommended a combination of reserve funding and grant funding to replace a 4x4 utility vehicle for the Gas Pipeline Safety Program in Las Vegas. Ms. Waller recalled that on March 17, 2011, the Budget Division submitted Budget Amendment 198 to remove the purchase of the vehicle and replace it with a leased Motor Pool vehicle, which was in line with a Division of Internal Audits recommendation to transfer all nonmanaged fleet vehicles to the State Motor Pool Division. The budget amendment would result in a net savings to the PUC budget of \$8,938.
4. Reserves. Ms. Waller explained that with the recommended mill-assessment rate increase noted previously, The Executive Budget reflected an ending reserve balance of \$2.49 million in FY 2012 and \$2.44 million in FY 2013. The recommended reserve levels represented approximately 84 to 86 days of operating expenditures, which was slightly less than PUC's optimal range of 90 to 100 days. She noted that PUC had the statutory authority to annually adjust the mill assessment rate. During budget hearings, PUC testified it would continue to monitor its reserve levels and adjust its mill assessment annually, if necessary, based upon the level of authorized expenditures and optimal reserve level. Ms. Waller added that no action was required by the Committee: the item was for the Committee's information only.
5. Closing Actions for the Nevada State Office of Energy. Ms. Waller recalled that during the budget closing hearing on April 20, 2011, the Senate Committee on Finance asked the state Office of Energy (NSOE) to provide alternative revenue sources that could be considered to replace the General Fund in its budget of approximately \$466,000 over the biennium. The options considered included two that would impact the PUC's budget: a one-time sweep of the PUC reserve funding and an increase in the mill tax assessment.

Ms. Waller requested that Fiscal staff be authorized to make technical adjustments to the account based on the final closing decisions for the NSOE budget.

For the Committee's information, Ms. Waller reported that PUC had confirmed in budget hearings that the seven recommendations received from the agency's legislative audit had been implemented. Committee action was not required.

Also for the Committee's information, Ms. Waller said that Senate Bill 184 proposed, among other things, to establish the Renewable Energy Systems Development Program. According to PUC, the legislation would result in an increase of the annual regulatory assessment by 0.01 mills, which would have an impact on the monthly residential ratepayers of one cent (\$.01).

Ms. Waller asked that Fiscal staff be authorized to make technical adjustments to the account based on the outcome of Senate Bill 184.

Chairwoman Smith stated that a motion was in order to include:

- Approval of the Governor's recommendations in items 1, 2, 5, and 7.
- Approval of the budget amendment to lease a Motor Pool vehicle rather than purchase a vehicle (item 3).
- Authority for Fiscal staff to make technical adjustments based on other account closings and legislation.

ASSEMBLYMAN OCEGUERA MOVED FOR APPROVAL.

ASSEMBLYWOMAN MASTROLUCA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

BUDGET CLOSED.

\* \* \* \* \*

Chairwoman Smith announced the Committee would go into work session to process bills.

**Assembly Bill 167 (1st Reprint): Enacts provisions for the protection of the waters of this State from aquatic invasive species. (BDR 45-847)**

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained A.B. 167 (R1) was sponsored by Assemblywoman Bustamante Adams and was heard in the Committee on Ways and Means on April 19, 2011. The bill authorized the Department of Wildlife to set up inspection stations for vessels operating on the waters of the state to inspect them for invasive species and prohibited anyone from operating the vessel without a required decal. The bill also required the Board of Wildlife Commissioners to establish an annual fee not to exceed \$10, and the Department would issue a decal as evidence of payment. The decal would be applied to the watercraft as evidence that it had been inspected and approved.

Mr. Combs said that during the hearing, the Department of Wildlife provided an updated fiscal note for the bill, which indicated that the increased revenue from the sale of the decals would total approximately \$322,000 in fiscal year (FY) 2012 and \$643,000 in FY 2013. Expenditures would total the same amount in each year, resulting in no impact to the Department's other funding sources. However, an existing staff biologist position and one-half of an existing game warden position would be funded through the fee revenue rather than through the Department's current funding sources. The freed-up federal money would be used for the purposes of the federal allotment, and the fee funding would be placed in the Department's unobligated reserve.

Mr. Combs recalled that the Department had testified that the revenues and expenditures could be work-programmed into the budget if A.B. 167 (R1) was enacted. He advised that the Department of Wildlife budgets had been closed by both the Assembly and Senate, which would require work programs to include the revenues and expenditures included in A.B. 167 (R1) for the upcoming biennium.

Chairwoman Smith affirmed that even though the Department's budget had been closed, the funds could be added to it through work programs. Mr. Combs replied the work programs would require approval of the Interim Finance Committee because of the amount of funds involved. He recommended that the Department's budget not be reopened. Because there was not a General Fund impact, processing of the work programs would be the preferable method of adding the funding to the budget.

ASSEMBLYWOMAN CARLTON MOVED TO DO PASS AS AMENDED ASSEMBLY BILL 167 (1ST REPRINT).

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.  
THE MOTION PASSED UNANIMOUSLY.

**Assembly Bill 363 (1st Reprint):** Revises provisions governing manufactured housing. (BDR 43-996)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, recalled that the bill required the city or county building department to provide written notice to the Manufactured Housing Division of its intent to begin or cease enforcement of inspections for certain manufactured buildings. Currently the Manufactured Housing Division had exclusive authority for inspections and had to provide the local building department with authority to begin or cease inspections. The bill would require the Manufactured Housing Division to enter into cooperative agreements with the local governments if they expressed a desire to start conducting the inspections themselves.

Mr. Combs said the Manufactured Housing Division had indicated that it did not anticipate many counties asking for the authority, at least not on a universal basis: requests would more likely be made on a case-by-case basis. The Division testified there would be no significant fiscal impact on its inspection revenue.

ASSEMBLYMAN GRADY MOVED TO DO PASS AS AMENDED ASSEMBLY BILL 363 (1ST REPRINT).

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY. (Assemblywoman Carlton reserved the right to change her vote on the floor of the Assembly.)

**Assembly Bill 481:** Makes an appropriation to the Nevada Highway Patrol Division of the Department of Public Safety to replace certain fleet vehicles. (BDR S-1250)

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained A.B. 481 was heard in Committee on April 21, 2011. The bill requested a Highway Fund appropriation of \$5,331,325 to replace fleet vehicles. There was discussion in the Committee regarding the disposition of the replaced vehicles, and Fiscal staff had confirmed that those vehicles would

be sold at auction and the proceeds of the sale would revert to the Highway Fund.

Mr. Combs said there was also discussion of the reference in the bill to the 50,000-mile threshold for motorcycles when the agency was not requesting authority to replace any motorcycles during the upcoming biennium. Fiscal staff recommended that the reference to the motorcycle threshold in section 1, line 6 of the bill be deleted. There were no further amendments.

Chairwoman Smith remarked she had a note that there was a \$65,000 discrepancy. Mr. Combs replied the agency had indicated that the estimated cost of the vehicles was higher than reflected in the bill, but based on the \$5.3 million magnitude of the request, the agency indicated it would be able to purchase the needed vehicles within that amount.

ASSEMBLYMAN HARDY MOVED TO AMEND AND DO PASS  
ASSEMBLY BILL 481.

ASSEMBLYMAN ATKINSON SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

**Assembly Bill 490: Makes an appropriation to the Legislative Fund for major computer projects for the Legislative Counsel Bureau. (BDR S-1240)**

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained A.B. 490 was heard in Committee on April 21, 2011. Lorne Malkiewich, Director, Legislative Counsel Bureau, testified on the bill, which included \$734,000 for the following one-time information technology purchases: approximately \$599,000 for switches and hardware, \$125,000 for a new accounting system, and approximately \$10,000 for a pilot project to test new software that might replace the Legislature's For the Record (FTR) committee recording software.

Chairwoman Smith noted the appropriation was included in The Executive Budget.

ASSEMBLYMAN OCEGUERA MOVED TO DO PASS  
ASSEMBLY BILL 490.

ASSEMBLYMAN GOICOECHEA SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.



**Assembly Bill 492: Makes appropriations to the Legislative Fund for dues to national organizations. (BDR S-1239)**

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained A.B. 492 was heard in Committee on April 21, 2011. The bill requested \$349,446 from the General Fund for dues to national organizations.

Chairwoman Smith again noted that the appropriation was included in The Executive Budget.

ASSEMBLYMAN KIRNER MOVED TO DO PASS  
ASSEMBLY BILL 492.

ASSEMBLYMAN BOBZIEN SECONDED THE MOTION.

In response to a question from Assemblyman Aizley, Mr. Combs explained that the cost to add the National Conference of Insurance Legislators (NCOIL) to the bill would be approximately \$10,000 per year and would add a total of \$20,000 to the bill for the biennium.

THE MOTION PASSED UNANIMOUSLY.

**Assembly Bill 500: Temporarily revises distribution of revenue from certain licensing fees for slot machines. (BDR 41-1165)**

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, explained A.B. 500 was known as the problem gambling bill, and he noted that the problem gambling account was closed in both the Senate and the Assembly with the diversion of one-half of the \$2 fee to go to the General Fund instead of to the problem gambling program as originally set forth in statute. The bill would make the necessary statutory changes to effectuate that decision in the budget.

ASSEMBLYMAN GOICOECHEA MOVED TO DO PASS  
ASSEMBLY BILL 500.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

**Assembly Bill 519: Makes various changes relating to the Office for Consumer Health Assistance. (BDR 18-1157)**

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, said A.B. 519 was heard in Committee on April 20, 2011. The Committee had approved the combination of the Office for Consumer Health Assistance with the Office of Minority Health and the transfer of both offices to the Office of the Director of the Department of Health and Human Services (DHHS). Mr. Combs said two amendments were proposed by the Department:

- To reinsert sections relating to the Office of Minority Health that the Department indicated should not have been removed and to designate that the Manager of the Office of Minority Health position would only be filled when funding was available for that purpose.
- To provide that reimbursement of per diem and travel for the members of the Office of Minority Health Advisory Committee and the \$80 per-day salary would be provided only when funding was available for that purpose. The purpose of the amendment was to allow the funds to be expended if they became available, but there was no funding currently available in the budget.

Basically, the intent of the amendments was to maintain the existence of the Office of Minority Health as its own entity and to clarify the statute.

Mr. Combs recalled discussion in the Committee concerning section 4 of the bill, which changed the name of the Director of the Governor's Office for Consumer Health Assistance to the Governor's Consumer Health Advocate. Section 4 also changed the current qualifications for the position requiring some type of health-related background to a requirement that the position would require a college degree in a field of health, social science, public administration, business administration, or a related field and not less than three years of experience in the administration of healthcare or insurance programs.

Chairwoman Smith stated she would like the bill to require the DHHS Director to provide information to the 2013 Legislature regarding the outreach efforts of the Office of Minority Health. She recalled discussion in the hearing concerning possible diminishment of the Office, and testimony indicated the intention was that it would not be diminished. She did not particularly like the title of Advocate, but she was not sure what title would be appropriate.

Assemblywoman Mastroluca agreed that the term Advocate for the position was not appropriate because the entire Office was an advocate for constituents.

She was also concerned that the focus of the position seemed directed toward identification of an individual.

Chairwoman Smith asked whether there was a more appropriate title for the position. She asked representatives from the Department to address the concern.

Mike Willden, Director, Department of Health and Human Services, testified the Department had no preference for the name of the position. The thought was that since the Office did advocate, the lead person would be the Governor's Office Advocate. He explained the organizational structure of DHHS agencies: the top person was the director, a division head was an administrator, and a program head was called a chief, manager, or coordinator. He said none of the titles seemed to fit the position because the Office was now under the Director's Office rather than a separate division. He had no objection to leaving the title as Director.

Mary Liveratti, Deputy Director Programs, Department of Health and Human Services, remarked that consumers seemed to understand the term advocate, which seemed less bureaucratic. However, she had no objection to changing the title.

ASSEMBLYWOMAN MASTROLUCA MOVED TO AMEND AND DO  
PASS ASSEMBLY BILL 519 WITH THE AMENDMENTS PROPOSED  
BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

**Assembly Bill 534: Increases penalties for operating certain group homes  
without a license. (BDR 40-671)**

Rick Combs, Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, noted that A.B. 534 was one of the bills to come from the Legislative Interim Committee to Study Group Homes, and Assemblywoman Kirkpatrick, as Chair of the Committee, testified on behalf of the bill. He said the bill allowed for a graduated scale of civil penalties to be imposed against unlicensed operation of residential facilities for group and individual residential care homes. The civil penalties would be deposited with the Health Division, and the penalty revenue would be deposited into an account not included in The Executive Budget. Mr. Combs recalled the fiscal note for the bill reflected some additional costs in one of the accounts (Health

Facilities Hospital Licensing, budget account 3216) in The Executive Budget. The agency testified that the amount was minimal and the agency had the reserves to cover the additional costs in the upcoming biennium.

Mr. Combs said the only issue the Committee might be concerned with was the significant amount of projected civil penalty revenue going to an account that was not part of The Executive Budget.

Chairwoman Smith said because the amount of money was significant, she would prefer that it be included in The Executive Budget.

Mr. Combs said there were two ways to accomplish the change. The first would be to issue a Letter of Intent to the Department of Health and Human Services to include the budget in its agency submittal as part of The Executive Budget for the next biennium. The other option would be to revise the *Nevada Revised Statutes* to require it, which could cause complications later on. His recommendation was to issue a Letter of Intent.

ASSEMBLYWOMAN MASTROLUCA MOVED TO DO PASS  
ASSEMBLY BILL 534 AND ISSUE A LETTER OF INTENT  
DIRECTING THE DEPARTMENT OF HEALTH AND HUMAN  
SERVICES TO INCLUDE THE CIVIL PENALTY REVENUE AS PART  
OF THE EXECUTIVE BUDGET IN THE NEXT BIENNIUM.

ASSEMBLYMAN HARDY SECONDED THE MOTION.

Assemblyman Hardy remarked he was concerned that the matter was a major problem in the state, and he wanted to ensure that sufficient funds were available to enforce the laws prohibiting unlicensed operation of residential facilities for group and individual residential care homes going forward.

Mr. Combs replied the account currently had balance-forward authority, and funds that were not expended in one year would balance forward to the next.

THE MOTION PASSED UNANIMOUSLY.

Chairwoman Smith called for public comment.

Rebecca Gasca, Legislative and Policy Director, the American Civil Liberties Union (ACLU) of Nevada, testified that she wanted to apologize for showing her emotions during her earlier testimony. She expressed disappointment on behalf of the ACLU that Assembly Bill 438 did not receive a hearing and was not presented to the Committee for its consideration. She was aware that the bill

had bipartisan support, would have generated revenues for the state, and would have reformed the medical marijuana program. The fiscal note was a positive several hundred thousand dollars over the next biennium. She thanked the Committee for its work and the opportunity to speak.

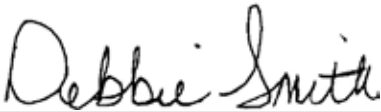
Chairwoman Smith adjourned the meeting at 11:58 a.m.

RESPECTFULLY SUBMITTED:

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Sherie Silva  
Committee Secretary

APPROVED BY:

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Assemblywoman Debbie Smith, Chairwoman

DATE: October 13, 2011

**EXHIBITS**

Committee Name: Committee on Ways and Means

Date: April 30, 2011

Time of Meeting: 8:07 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster