

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

**Seventy-Sixth Session
February 10, 2011**

The Committee on Ways and Means was called to order by Chairwoman Debbie Smith at 8:05 a.m. on Thursday, February 10, 2011, in Room 3137 of the Legislative Building, 401 South Carson Street, Carson City, 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/. In addition, copies of the audio record may be purchased through the Legislative Counsel Bureau's Publications Office (email: 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 Randy Kirner
Assemblywoman April Mastroluca
Assemblyman John Ocegüera

COMMITTEE MEMBERS EXCUSED:

Assemblyman Joseph M. Hogan

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Mike Chapman, Principal Deputy Fiscal Analyst

Connie Davis, Committee Secretary
Cynthia Wyett, Committee Assistant

Chairwoman Smith explained to members of the public attending the meeting that a new policy regarding approaching the dais was in effect. Members of the public were not allowed to approach the dais during a Committee break. She further explained that the Nevada Electronic Legislative Information System (NELIS) was available to the public for viewing documents presented as exhibits during testimony.

Chairwoman Smith announced that the agenda items would be taken out of order and asked members of the State Gaming Control Board to come forward to begin their presentation.

GAMING CONTROL BOARD (101-4061) AND INVESTIGATION FUND (244-4063)
BUDGET PAGE GAMING CONTROL BOARD-1

Mark A. Lipparelli, Chair of the State Gaming Control Board (GCB), identified himself for the record, and using PowerPoint provided an overview of the GCB budget.

Mr. Lipparelli explained that gaming regulation in Nevada was a two-tiered oversight system that included a full-time State Gaming Control Board (Board) with three full-time members and the Nevada Gaming Commission (Commission) with five members. He advised that the Nevada Gaming Commission met once a month and was the final licensing authority for the state.

Mr. Lipparelli reported that the Board's mission was to protect the interest of the state in many matters including the licensing of new applicants, the ongoing regulation of existing licensees, the processing of new gaming equipment approvals, and the processing of gaming employee registrations. He advised that the Board's regulatory structure was provided on page 3 of his PowerPoint presentation ([Exhibit C](#)) and pointed out that the Board included a full-time group of employees, distributed throughout six divisions, who were responsible for regulating on a day-to-day basis. Mr. Lipparelli reiterated that the Nevada Gaming Commission met on a monthly basis to either ratify or overturn the decisions of the Gaming Control Board.

Page 5 of the PowerPoint presentation reflected the employee distribution of the Board, and Mr. Lipparelli explained that the GCB was employee-driven with the major portion of expenses related to employee functions. He said that recently, two divisions, the Corporate Securities Division (CSD) and the Investigations Division, were consolidated. Mr. Lipparelli explained that the Corporate Securities

Division was created because of the onset of a number of public companies that joined the marketplace. He said that at the time the CSD was founded, the GCB did not have the resources to handle the complexities of public companies but that following recent research, a decision was made to consolidate the CSD and Investigations Division to allow greater flexibility in using available resources.

Mr. Lipparelli advised that the GCB's primary offices were located in Carson City and Las Vegas, with offices also maintained in Reno, Laughlin, and Elko. He further advised that the largest number of employees were located within the Enforcement, Investigations, and Audit Divisions.

Mr. Lipparelli pointed out that page 6 reflected the growth of the GCB classified and unclassified employee base and also the decline of the employee base as budget constraints were encountered under the proposed budget for the 2011-2013 biennium. Mr. Lipparelli noted the total employee base of 418.5 employees was down from the fiscal year 2008 base of 462 employees. He explained that the fiscal year 2008 employee base had been driven by an expansion of laboratory resources that met industry demands.

Mr. Lipparelli next discussed page 7 that reflected Board funding by source and advised that the members of the Interim Finance Committee (IFC) had requested information on how much of the Board's budget was funded through fees paid by the industry. Mr. Lipparelli indicated the chart reflected the "relative change" in how the fee structures had become increasingly important to the Board's underlying funding. He noted, for example, that in fiscal year 2011, nearly 40 percent of the Board's budget would be paid for through fees paid directly by the industry. Additionally, he pointed out that growth from 31 percent in fiscal year 2010 to 39 percent was driven principally by a significant increase in investigative fees for both new applicants and existing licensees. Mr. Lipparelli indicated there had been some discussion that new applicants were "hit harder" by investigative fees than existing licensees. He said, however, existing licensees were required to appear before the Board on a regular basis for various approvals.

Moving to page 8 of his presentation, which reflected revenues collected in fiscal year 2010, Mr. Lipparelli reported that total gaming revenue collected in fiscal year 2010 was \$829,303,836 down from over \$1 billion a few years ago. He pointed out that 85.6 percent of the state's gaming revenue was generated in Clark County and that revenue in each category of gaming collections had declined from several years ago.

Mr. Lipparelli next discussed operating Enhancements (E) reflected on page 10, which addressed decision units E250, training and travel; E251, advertisement and

recruitment; and E252, imaging services. The proposed operating enhancements over the 2011-2013 biennium totaled \$128,500.

Additionally, Mr. Lipparelli discussed Enhancements E710 and E720 for the purchase of laboratory equipment reflected on pages 11, 12, and 13. He advised that the purchases totaled \$138,878 over the biennium and were recommended for the replacement of aging testing and repair equipment, gaming laboratory workstations, and software, which would assist the GCB to keep pace with evolving technologies. Mr. Lipparelli advised that the proposed purchases would also provide for new equipment and testing devices needed for analyzing new slot machine platforms. He explained that most industry participants had moved from proprietary computer architectures to personal computer architectures, and tools were needed to test computer operating systems. Mr. Lipparelli also discussed the industry changes toward server-based environments and the need to build tools and increase employee expertise in that area of technology. Mr. Lipparelli noted that the ARIA Resort and Casino in Las Vegas and The Cosmopolitan of Las Vegas recently opened, and both casinos had server-based environments that required the GCB to participate in new methods of testing gaming equipment.

Moving to General Fund reductions on page 15, Mr. Lipparelli noted the transfer of fees, reduction of training and travel, and the elimination of 18.49 positions reflected in the top portion of the slide above the red line. Below the red line were the Governor's recommended changes for a 5 percent salary reduction, salary freezes, suspension in longevity pay, and reduction of holiday premium pay that resulted in a proposed reduction of \$7,042,653.

Chairwoman Smith asked Mr. Lipparelli to discuss the methodology used in determining which positions should be eliminated and how the elimination of those positions would affect the agency.

Mr. Lipparelli responded that information on page 17 reflected the effect of the budget reductions and the eliminated positions by area. He said that agency representatives had looked across the Board to identify opportunities within the Audit, Enforcement, and Investigations Divisions, as well as the gaming laboratory and support staff.

Mr. Lipparelli reported that over the years, GCB employment had remained "fairly static" within all divisions. He said, for example, employment had remained static in the area of criminal enforcement for nearly ten years, and a reduction in that area would have a critical effect on the GCB. Mr. Lipparelli said a reduction of employees in the Audit area would create an inability to meet audit cycle deadlines, which would necessitate deadline extensions. He indicated additional complications had occurred because of casino bankruptcies and restructuring that

required unscheduled audits that would create an expanded audit cycle. Mr. Lipparelli also advised that a deputy chief position in the Investigations Division had been eliminated through attrition when the incumbent retired, and the Division consolidated with the Corporate Securities Division.

Assemblywoman Carlton asked whether any of the positions eliminated resulted in vacancy savings.

Mr. Lipparelli replied that the Investigations Division position was currently vacant making it unnecessary to eliminate any positions, but that he would defer to other members of his staff concerning other position reductions.

Assemblywoman Carlton asked whether the Enforcement Division positions scheduled for elimination would result in vacancy savings.

Stacy Woodbury, Chief of Administration, Gaming Control Board, identified herself for the record and said that there were both auditor and enforcement agent positions vacant and scheduled for elimination in the proposed budget. She indicated that 10 of the 18 positions scheduled for elimination were currently filled and would result in layoffs.

Assemblywoman Carlton also asked how many of the positions currently occupied but scheduled for elimination would be eligible for buyout and what the cost of the buyout would be.

Ms. Woodbury agreed to research the issue and provide the information to the members of the Committee.

Mr. Lipparelli pointed out that certain GCB positions were billable, and the GCB, from a budgetary standpoint, would not gain much financially from cutting an investigator position. Mr. Lipparelli explained, for example, that taking into account the capacity of certain groups within the GCB, such as the Corporate Securities and Investigations Divisions, a reduction would also require an adjustment to fee revenue.

Continuing his presentation, Mr. Lipparelli advised that page 19 summarized the sensibility of the GCB related to the fundamental changes that had taken place in the industry from 1991 to 2011. He discussed, for example, the multinational megacasinos and resorts, especially in the Pacific Rim that would continue to grow and whose activities required monitoring.

Additionally, Mr. Lipparelli said that although the gaming industry had trailed in technology ten years earlier, the gap had been closed dramatically in recent years.

He said that most technology providers were using state-of-the-art tools and equipment and were driven by operators who also sought that kind of flexibility, which in turn had compelled the GCB to become more responsive to emerging technologies.

Mr. Lipparelli discussed using the Internet for the distribution of gaming ideas and reported a significant amount of development around the world in the last five to seven years to provide gaming via the Internet. He indicated that the GCB had attempted to keep abreast of the process and that GCB licensees were also interested and looking at where they could leverage their brand and what needed to be done to prepare for legalized Internet gaming. He advised that the recent lame-duck session of Congress had seriously considered legalizing Internet poker in the United States and because of that activity, the GCB had attempted to become educated as quickly as possible to prepare for that eventuality. Mr. Lipparelli said that although Congress did not legalize Internet gaming, the interest in doing so was still high, which placed the GCB in the position of trying to educate their staff with no budget capacity to do so.

Chairwoman Smith asked Mr. Lipparelli to address the Letter of Intent that was issued to the GCB following the 2009 Legislative Session regarding the practicality and appropriateness of setting fees at rates necessary to cover the full cost of the GCB's operations. She asked that he also address the issue of changing from a public hearing process to a written survey of the industry.

Mr. Lipparelli responded that following the 26th Special Session (2010), the GCB was requested to perform an analysis of potential new opportunities for fee increases and report to the Interim Finance Committee (IFC). In June 2010, the GCB provided the IFC with a series of alternatives to increase the annual and quarterly slot machine taxes. Mr. Lipparelli advised that the additional fee revenue totaled approximately \$28.7 million and was the additional amount needed to fully fund the Board's and the Commission's operations.

The following four alternatives, he said would each generate approximately \$28 million:

1. An increase of the quarterly and annual fees imposed on each slot machine, in all licensed locations, by \$145 per slot machine.
2. An increase in the quarterly and annual fees imposed on each slot machine operated at non-restricted locations by \$160 per machine.
3. An increase in the quarterly and annual fees imposed on each slot machine, at all licensed locations, for an operation of less than 100 games by \$25 per

machine and for an operation of more than 2,000 games by \$225 per machine.

4. Imposition of an additional slot machine flat fee based on the total number of slot machines at each licensed location with more than 100 slot machines, which essentially protected operations of less than 100 machines.

Mr. Lipparelli advised that the plan was proposed and distributed to the industry later in the year, and a response was requested from licensees who were affected by the proposal. The responses were collected during December 2010 and January 2011 with comments from about half who agreed with the imposition of fees while others asked for a discussion on additional ideas. Mr. Lipparelli advised that his predecessor had requested private responses to the proposal rather than a workshop because he believed individuals would be "more forthcoming and less guarded in their comments" if they could provide direct comments to the Board.

{Subsequent to the hearing, Mr. Lipparelli's office provided a letter dated February 10, 2011, ([Exhibit D](#)) with information concerning the manner of solicitation for the self-funding proposals developed by the Board. On December 14, 2010, the proposal was posted on the Board's website and emailed to the Nevada Resort Association and to gaming attorneys who regularly appeared before the Board and the Nevada Gaming Commission. The letter indicated that the posting occurred prior to Mr. Lipparelli's appointment as Board chairman, and he was unsure why the notice was distributed in that manner. However, he expressed confidence that all major licensees of the Board received notice of the proposal.}

In response to Chairwoman Smith's inquiry concerning how the GCB viewed becoming fee-supported, Mr. Lipparelli indicated that the GCB had no position on the issue. He thought it was the purview of the Legislature to decide the matter, although there had been discussion concerning agency independence. Mr. Lipparelli indicated that if the agency was fully funded by the industry, there could be a perception that successful lobbying by the industry for higher or lower fees could affect the capacity of the GCB because of the Legislature's inability to increase or decrease agency resources.

Assemblyman Kirner referenced the fees and asked whether there had been a decrease in the number of slot machines in the state because of the proposed increases.

Mr. Lipparelli indicated that he believed that fees were not the driving factor behind a casino's decision to either expand or contract machines. He said one of the

reasons for the contraction in the capacity of slot machines was because advances in technology allowed more games on a single device. Additionally, Mr. Lipparelli indicated that restricted and nonrestricted slot populations had declined although restricted slots were more affected because of business failures and the smoking ban.

Assemblyman Kirner inquired whether the GCB had looked into alternatives that addressed the number of games on each machine rather than the number of machines.

Mr. Lipparelli stated that the GCB had focused on the number of devices rather than the number of games. He said there was a regulation concerning multiplayer stations and the number of stations that needed to be taxed versus treatment of the machine as a single game. Thus far, he said the GCB considered a station a taxable unit even though the station could contain multiple games.

Assemblywoman Mastroluca asked how many "Industry Notices" concerning increasing slot machine fees were distributed.

Mr. Lipparelli advised that although only eight responses were received, over 3,000 industry-wide requests were distributed.

Hearing no further questions from the members, Chairwoman Smith closed the hearing on budget account 101-4061 and opened the hearing on budget account 101-4067.

GAMING CONTROL BOARD — GAMING COMMISSION (101-4067)
BUDGET PAGE GAMING CONTROL BOARD-11

Mark A. Lipparelli, Chair of the State Gaming Control Board (GCB), provided an overview of the Nevada Gaming Commission budget. He advised that there were some dedicated resources that the Chairs of the GCB and the Commission used liberally.

Chairwoman Smith noted a proposed reduction in staff for the Commission from full-time to part-time and asked why The Executive Budget recommended that a part-time employee receive credential pay at the full-time employee rate.

Stacy Woodbury, Chief of Administration, Gaming Control Board, identified herself for the record and advised that the GCB had a reduction to a half-time senior research specialist position. The position was filled in the current fiscal year at 0.51 percent since staff reductions were expected. As previously indicated by Mr. Lipparelli, Ms. Woodbury said the Commission was permitted to use some of

the Board's resources because there was only one full-time and currently one half-time position dedicated to the Commission, which was a part-time body. The credential pay policy of the Commission was adopted as a directive by the GCB. As currently drafted, the directive addressed an employee and the available amount of time that employee had to work. Technically, if an employee worked 90 percent to 95 percent of their available hours for the Commission, the employee would qualify for credential payment. Ms. Woodbury advised that the GCB would be willing to reconsider that policy if so directed by the Committee; however, she said the person currently holding the position would not qualify for credential pay. Ms. Woodbury indicated that should the structure of the Commission's budget be changed and the \$5,000 not funded for the position, the GCB would have to revise their half-time employee policy. Noting the Commission's limited resources, Ms. Woodbury asked whether the Committee would consider at least funding travel if the position itself was not funded.

Chairwoman Smith indicated the Committee members would discuss funding the position with fiscal staff.

There being no further questions or discussion, Chairwoman Smith closed the hearing for the Gaming Commission budget and opened the hearing to a review of Legislative Audit Summaries.

REVIEW OF LEGISLATIVE AUDIT SUMMARIES

Paul V. Townsend, CPA, CIA, Legislative Auditor, Audit Division, Legislative Counsel Bureau (LCB), identified himself for the record and introduced Rocky J. Cooper, Audit Supervisor, Audit Division, LCB.

Mr. Townsend said that members of the Committee had been provided a copy of the *Legislative Counsel Bureau Audit Division Audit Report Summaries* ([Exhibit E](#)). In his opening remarks, Mr. Townsend reported that the document contained summaries of audits issued during the past biennium. He explained the importance of the money committees' involvement as a part of the audit follow-up process that helped to ensure corrective action was taken. Mr. Townsend said the committees' involvement had contributed to continuing financial benefits, which over the past two years resulted in cost reductions or enhanced revenues totaling \$76 million.

Additionally, Mr. Townsend provided information concerning the document's table of contents, that listed the audits cross-referenced to a page in The Executive Budget. He advised that each audit had a one-page audit highlight followed by a 60-day plan for corrective action or a six-month report on the status of the audit recommendations. The six-month report was prepared by the Department of Administration's Division of Internal Audits, which conducted a review of the agency to determine whether the status of the recommendations

were fully implemented, partially implemented, or whether no action had been taken. After the Division of Internal Audits' review, a report was prepared for signature by the Director of the Department of Administration, which was taken by the Legislative Auditor to a public meeting of the Legislative Commission's Audit Subcommittee. Agency representatives were then provided the opportunity to testify during the Audit Subcommittee regarding the agency's implementation of the audit recommendations. Mr. Townsend advised that he would also provide the six-month reports to the money committees during the Legislative Session, a process provided for in the *Nevada Revised Statutes*.

Mr. Townsend provided an example of the document's organization beginning with the Motor Pool Division's audit on page 11, which focused on vehicles driven less than 6,000 miles annually. He advised that over 70 vehicles were identified as low-use and recommended for elimination. The vehicle elimination would provide a financial benefit to the state of approximately \$1.6 million. Mr. Townsend also discussed the importance of reviewing agencies as well as the Motor Pool for low-use vehicles because he said agencies were at times reluctant to relinquish their vehicles even when seldom used. Mr. Townsend explained that vehicles driven less than 6,000 miles annually would continue to have fees of about \$4,000 a year, which affected an agency's budget. Additionally, Mr. Townsend reported that the audit for the Motor Pool Division also reviewed fuel usage and found instances of excessively low miles based on fuel purchases, which indicated improper use of fuel cards.

Mr. Townsend advised that page 12 of the document contained a plan of action from the Director of the Department of Administration concerning the Motor Pool Division's plan for corrective action. Mr. Townsend indicated that the Audit Division staff had reviewed the plan and were in agreement with the Division's approach for correction.

Mr. Townsend moved to page 19 of the document and advised that the audit of Contracts with Consultants, issued in December 2010, was required after passage of Assembly Bill No. 463 of the 75th Session (2009). Mr. Townsend reported that the audit discovered specific problems particularly in the area of contracting with former and current state employees including, for example, a number of instances in which either through direct contract or temporary service agencies, employees had been contracted with at a rate considered excessive when compared to the rate they were paid as state employees. He said, however, there were also instances where rates were reasonable. Additionally, he advised that a narrow definition of the term "consultant," was discovered and minimal information was provided to the Interim Finance Committee (IFC) regarding consultant contracts as required by A.B. No. 463 of the 75th Session. Mr. Townsend pointed out that a 60-day plan was being worked on and was due in March.

Mr. Townsend advised that the Director of the Department of Administration had convened a task force to review the problems discovered in the audit and that he assumed the conclusions of the task force would be included in the plan for corrective action, which was due on March 8, 2011. Mr. Townsend indicated that upon receipt of the plan, he would forward it to the Committee.

Moving on to another example, Mr. Townsend directed the Committee's attention to the State Department of Agriculture audit on page 43 of the document. Mr. Townsend advised that the audit was conducted pursuant to requests from the chairs of both money committees during the 2009 Legislative Session. He explained that there had been a concern that the Department was misaligning its resources to compensate for revenue shortfalls incurred by various programs within the Department. Mr. Townsend said the audit discovered approximately \$550,000 in annual personnel costs were not aligned with the appropriate funding source. The problem involved employees whose payroll costs were recorded under programs different from those for where the actual services were provided.

Mr. Townsend advised that audit contained four major recommendations, and the corrective action plan from the Department of Agriculture was provided on page 44 of the document. He indicated that the Audit Division staff members had reviewed the plan and were in agreement with the Department's course of action.

Chairwoman Smith thanked Mr. Townsend for the report and the helpful information he had provided. Recalling the discussion in 2009 regarding the Alcoholic Beverage Awareness Program audit, Chairwoman Smith asked whether there had been collections in that account in the past and, if so, where the money had gone.

Mr. Townsend indicated that pursuant to the provisions of the statute, no funds had been collected. It was his opinion that there had been a lack of communication with the local law enforcement agencies on how the funds were to be processed. He said that it was possible that, in some cases, fines were issued under a local ordinance, and the funds remained at the local level. Mr. Townsend indicated the Audit Division had provided awareness education to the local law enforcement agencies on the issue as had the Department of Taxation. Additionally, Mr. Townsend advised that over \$16,000 had been collected since the time of the audit, which was an indication that the program was beginning to become more effective.

There being no further questions or discussion, Chairwoman Smith closed the hearing on the Audit Report Summaries and opened the hearing on budget account 1005.

AGENCY FOR NUCLEAR PROJECTS — HIGH LEVEL NUCLEAR WASTE (101-1005)
BUDGET PAGE ELECTED-25

Joseph C. Strolin, Acting Executive Director, Agency for Nuclear Projects identified himself for the record and introduced former Assemblywoman Joan Lambert from Washoe County, who was a member of the Commission on Nuclear Projects.

Mr. Strolin began his presentation by referring to a document entitled, "2010 Report and Recommendations of the Nevada Commission on Nuclear Projects, A Summary of Key Points" ([Exhibit F](#)), which he said provided a good update on the Yucca Mountain Program.

Mr. Strolin reported that the Agency for Nuclear Projects was established in 1985 and that the Agency's responsibilities were primarily to:

- Implement the role of the State of Nevada under the federal Nuclear Waste Policy Act.
- Provide for oversight in the Yucca Mountain project.
- Participate and represent the state in any licensing proceeding that would occur and was occurring with respect to Yucca Mountain.
- Review how the state would be affected with respect to Yucca Mountain and other radiological nuclear activities.
- Provide information to local governments.

Additionally, Mr. Strolin advised that the Commission on Nuclear Projects had a separate statutory role to:

- Advise the Governor and the Legislature on radioactive waste issues, especially the federal Yucca Mountain program.
- Develop regulations for the Agency.
- Provide oversight.
- Identify candidates for the position of Executive Director who served at the pleasure of the Commission.

Mr. Strolin advised that his role, as Acting Executive Director, was to serve in the interim during the appointment process to assist the agency and the Governor with the Yucca Mountain issue and to assist the Commission in identifying candidates for the Executive Director position.

Mr. Strolin provided a brief update on the status of the Yucca Mountain project and why the agency was still in existence having gone through almost a year of the federal government attempting, with little success thus far, to terminate the project. Mr. Strolin pointed out that while the project was in "a certain limbo," it was far from dead. He said it was likely that the project would resurface again as early as the summer of 2011.

Mr. Strolin advised that in February 2010, the U. S. Department of Energy (DOE) moved to withdraw the license application, fulfilling a campaign pledge made by President Obama to the State of Nevada and to Senator Harry Reid that, if elected, he would see that the project was terminated because it was unworkable and unsuitable. Mr. Strolin said that DOE had submitted a motion to the Nuclear Regulatory Commission's (NRC's) licensing board to withdraw the application, but the licensing board rejected the application saying that DOE, under the Nuclear Waste Policy Act, was not allowed to unilaterally withdraw the application and that the application could only be withdrawn by going through the entire licensing process and to either approve or deny the application.

Mr. Strolin further advised that a lawsuit in the Court of Appeals for the District of Columbia brought by two states with federal nuclear facilities that stored defense waste was moving forward after a long stay pending an appeal of the licensing board's action to the full NRC. Mr. Strolin advised, however, that it appeared that the NRC was deadlocked on the vote of whether or not to overturn the licensing board decision on the withdrawal. He said the Federal Court of Appeals had scheduled a hearing for oral arguments for March 2011. Mr. Strolin reported that the Agency's attorneys had reviewed the matter with a general consensus that it was likely that the DOE would not prevail in the proceeding to withdraw the licensing application, and that ultimately, the U.S. Congress would make the final decision on whether or not to move forward to fund the project in the next appropriation cycle.

Mr. Strolin noted that Senator Reid had been successful thus far in eliminating funding for the project in the U.S. Senate appropriations budget. He said, however, that following the 2010 elections, there were now project supporters in key committee positions, and it appeared that the U.S. House of Representatives would provide funding for the project. Mr. Strolin speculated that in addition to possible funding and with an adverse ruling by the Court, the licensing proceeding for Yucca Mountain could resume with some intensity.

Mr. Strolin explained that the Governor had recommended General Funds of approximately \$1.3 million over the 2011-2013 biennium, a decrease of 63 percent from the 2009-2011 biennium. He reported that the General Fund money was used for operating expenses and salaries only. Additionally, the 2009 Legislature approved \$970,000 in each fiscal year of the 2009-2011 biennium for the Nevada Protection Fund, a fund that provided specialized expertise related to the state's defense efforts for the project.

Additionally, Mr. Strolin noted that the Agency's staff had been reduced from seven employees in fiscal year 2009 to a current level of four, which he considered a minimum staffing level.

Mr. Strolin reported that in-state and out-of-state travel categories had been reduced to minimal levels, and operating expenditures had been substantially reduced as well. He also advised that the Agency's largest expense was rent, which was reduced by over 50 percent by giving up office space and renegotiating per square-foot rates.

Mr. Strolin reported the largest reduction was in the Nevada Protection Fund category. He advised that during the 26th Special Session (2010), the Legislature approved the reserve for reversion of the \$57,563 remaining in the Nevada Protection Fund category in fiscal year 2010 and required the reserve for reversion of the entire \$970,000 approved for fiscal year 2011. Mr. Strolin advised that the Governor recommended elimination of all General Fund support in the 2011-2013 biennium for the Nevada Protection Fund category and that the Agency had not requested the money for the 2011-13 biennium. Mr. Strolin noted, however, that should the licensing proceeding move forward, and if the state was forced into participating in the licensing procedure, it was likely that the Agency and the Office of the Attorney General would appear before the Interim Finance Committee to request contingency money or emergency funds. Mr. Strolin advised that the Agency's funding was barely adequate to cover the Program's current lowered level of licensing activity. He recalled that during the licensing activity in 2008 and 2009, \$300,000 to \$400,000 a month was expended between the Agency and the Office of the Attorney General on expenses for attorneys and various subject-matter experts required to prosecute and adjudicate for the state over 200 contentions or objections raised in the licensing proceeding. Mr. Strolin believed the scenario was likely to occur again.

Chairwoman Smith expressed concern regarding the adequacy of funding to provide for the defense against the project and asked what the projections were for the litigation costs.

Mr. Strolin responded that the Agency had completed many analyses of the situation, and that between the Office of the Attorney General and the Agency, the calculated costs for adequate licensing participation by the state would amount to approximately \$9 million per year. Of that sum, he anticipated that \$5 million could be provided from federal funds. In the past, Senator Reid and the Congressional delegation had been able to earmark \$5 million for Nevada, specifically for participating in the license application process. Those funds were explicitly prohibited from being used for salaries or operating expenses and could only be used for costs associated with the licensing process. Mr. Strolin advised that the Agency and the Office of the Attorney General had built \$2 million into each of their original budgets to make up the difference while the U. S. Department of Energy had budgeted \$145 million to prosecute the license application. Mr. Strolin indicated that he believed that a good job had been done in representing the state based on the Agency's availability of limited resources.

Chairwoman Smith agreed that the past litigation efforts had been exceptional and expressed concern about not being able to budget the appropriate amount of money for renewed licensing activity. Additionally, she indicated that the Interim Finance Committee's Contingency Fund did not have the resources to provide the funding and that the Committee would have to closely review the matter since funding would be necessary in the event of renewed activity.

In response to Chairwoman Smith's questions regarding contract expenses in decision unit Enhancement (E) 325, Mr. Strolin explained that the contract was for expenses related to administrative oversight of the Agency. He explained that he had retired in March 2009 and in February 2009 the Agency had a turnover in the Executive Director's position. He indicated that while the new Director was highly competent, he had no institutional knowledge concerning the subject matter of the Project or the Agency. The newly appointed Executive Director asked Mr. Strolin to return to the Agency under contract. Mr. Strolin advised that the contract saved the Agency money by removing the funding from the Planning Division Administrator's position, the position he held prior to retirement. He said that over half of the cost of the position was saved and at the same time two of the other Agency jobs were saved. Additionally, he said that the \$50,000 per year contract funding remained in the budget for the following biennium because it was a cost-efficient way of assuring that the responsibilities of the position would be met. Mr. Strolin assured the Committee members that he did not plan to assume the duties under contract for the following biennium and that he believed it was possible to find a person to serve in that capacity.

Chairwoman Smith asked for information concerning the recommended funding of \$400,000 from the State Highway Fund to support activities related to the transportation of low-level nuclear waste.

Mr. Strolin explained that the Agency was originally entirely federally funded. He said, however, in 1998 that funding was reduced because the Agency had contradicted important conclusions reached by DOE concerning the suitability of Yucca Mountain. Mr. Strolin said that at that time the Governor requested an appropriation to pay for the Agency's operating expenses and salaries. Eventually federal funds were restored but were limited to scientific oversight with a restriction that funds could not be used for salaries or expenses of state employees. Additionally, he said that in 1999 the Legislature funded the Agency with both General Funds and Highway Funds. Mr. Strolin indicated that the Agency had been careful to use the Highway Funds for contract work related to transportation matters related to the Yucca Mountain project or for transportation oversight of radiological waste shipments throughout the State of Nevada.

Assemblywoman Mastroluca indicated she was under the impression that the Western Governors' Association paid for a portion of transferring low-level nuclear waste and asked how much of the \$224,107 in grant funds in Category 14 was used for transportation costs.

Mr. Strolin advised that the Western Governors' Association grant funds could only be used for the oversight of transuranic waste shipments from the Nevada Test Site to the Waste Isolation Pilot Plant facility in New Mexico. He indicated that although the Agency received 100 percent of the grant funds, the money was passed through to the Division of Emergency Management, the Nevada Highway Patrol, and the Health Division Radiation Control Program. Mr. Strolin advised that each of those agencies had separate operational responsibilities while the Agency's role was limited to coordinating and ensuring adequate planning, training for local governments along the route, and state agency preparedness and that the shipments occurred in an uneventful fashion.

Mrs. Lambert advised that Senator Richard Bryan, Chair of the Commission on Nuclear Projects, conveyed regrets that he was unable to attend the hearing. She expressed her thanks to Mr. Strolin for coming out of retirement to serve as Acting Executive Director during the 2011 Legislative Session. Mrs. Lambert told the members of the Committee that the Nuclear Waste Policy Act continued to support Yucca Mountain as the only place high-level nuclear waste should be sent. She said that until that policy changed, it was a critical time for the Yucca Mountain project and important to retain Mr. Strolin who had the knowledge and expertise to serve as Acting Director.

Chairwoman Smith thanked Ms. Lambert and Mr. Strolin for their service and indicated that she looked forward to hearing updates on the project.

Hearing no additional comments or questions, Chairwoman Smith closed the hearing on budget account 1005 and opened the hearing on budget account 1130.

ELECTED OFFICIALS — CONTROLLER'S OFFICE (101-1130)
BUDGET PAGE ELECTED-114

Kim R. Wallin, State Controller, Office of the State Controller, identified herself for the record and introduced Mary Keating, Acting Chief Deputy Controller, Jim Noriega, an unpaid intern, Karen Hoppe, Chief Accountant, and Alex Echo, Data Processing Manager.

Ms. Wallin submitted a document entitled, "FY 2012 – FY 2013 Budget Presentation" ([Exhibit G](#)) and began her testimony by advising the Committee that the Office of the Controller's mission was to advance accountability, continuity, and efficiency in the state's financial operations.

On page 5 of her presentation document, Ms. Wallin noted that the Controller's Office was the financial hub for the state. She advised that on average over \$1.14 billion per day in transactions were processed through the statewide accounting system. The transactions included those with vendors, payroll, deposits, and money transfers. Ms. Wallin said that transaction volume was the reason the integrity and safety of the Integrated Financial System (IFS) was maintained.

Despite budgetary conditions, Ms. Wallin said the Office staff prepared the Comprehensive Annual Financial Report (CAFR), paid the bills, and collected debt. She said that the Office had seen an increase in its workload as other agencies eliminated their fiscal staff.

Ms. Wallin discussed performance measures on page 6 of her document. In reference to the first performance measure, she said the target for the total percentage of debts collected for debts under \$25,000, was to collect 45 percent. Although the Office fell short of that target at 28 percent, it improved upon the 4 percent to 11 percent collected in the past. Ms. Wallin pointed out there were vacancies in the Office's Debt Collection section because of budget cuts, and the average age of the debt that was turned over to the Office had increased from 486 days to 806 days.

Ms. Wallin advised that the passage of Assembly Bill No. 87 of the 75th Session (2009) required state agencies to send all of the debts that they had accumulated to the Office of the Controller. As a result of A.B. No. 87 of the 75th Session, Ms. Wallin said that some of the debt received in the Office was five or more years old. Currently, the average age of the debt had been reduced to 723 days.

Ms. Wallin indicated she believed that with a fully staffed Debt Collection section and automation of data from agencies, the average age of the debt would decrease, and the collection percentages would continue to increase.

Continuing with performance indicators, Ms. Wallin said that dollar savings were realized in the Office's Information Technology (IT) section by using state employees for IT programming rather than outsourcing to contractors. She estimated that the Office saved over \$600,000 in fiscal year 2010 and would save closer to \$1 million in fiscal year 2011 because of a project in-house IT staff had taken on in lieu of an outside consultant. The project would allow the Office to accept credit and debit cards and provide debtors the ability to pay their debts with a credit card online. Ms. Wallin noted that the Department of Motor Vehicles (DMV) paid a consultant over \$500,000 to work on its online credit card payment processing service. She advised that other agencies, including the Office of the State Treasurer, asked the Controller's Office to share information on what was done so that they could also begin to accept payments online without hiring a consultant.

Ms. Wallin discussed the performance measure concerning the number of documents processed per full-time equivalent (FTE) employee and advised that the figures for fiscal year 2012 and fiscal year 2013 needed to be increased to 9,196 in each year because the data provided was only for ten months.

Ms. Wallin referred to page 7 of the budget presentation document concerning decision units in the Governor's recommended budget and expressed disagreement with decision units Enhancement (E) 670 and E690. Ms. Wallin opined that the 5 percent salary reduction in E670, especially for staff in lower salary ranges, was actually a 10 percent to 15 percent reduction because they would not receive merit increases or longevity. She pointed out that reducing salaries by 5 percent rather than providing a furlough day would cause unintended consequences and cost more in the long run.

Ms. Wallin argued that state employees had received no pay increases since 2009 and were currently facing no increase until fiscal year 2014. She indicated that making employees work for 5 percent less would not improve customer service. Additionally, Ms. Wallin pointed out that employees could save money when given a day off without pay because they would save the cost of day care and transportation. She said that with the proposed plan to cut the amount of money for sick leave and vacation buyouts, employees would be more inclined to call in sick or go on vacation. Ms. Wallin said that while managers could plan for furloughs, they could not plan for sick days.

Ms. Wallin also noted that the Public Employees' Retirement System (PERS) would be adversely affected because its actuarial assumption for the contribution percentages was based on employees earning 5 percent more, not 5 percent less. She also noted that employees within five years of retirement might decide that it was not worth it to work for the state any longer and would retire. The PERS would be affected because its calculations were based on an expectation of normal reasons for retirement and not a mass exodus, which happened when the Public Employees' Benefits Program (PEBP) changed its plan.

Ms. Wallin noted that a "brain-drain" could occur as well. She said, for example, that in the Office of the Controller, 28 percent of staff members were in a five-year window for retirement. She said that if excessive retirements occurred, the CAFR would, most likely, not be completed on time, which might create a greater opportunity for errors. Those errors, in turn, could affect the state's bond rating and could increase the interest paid on the state's bond.

Ms. Wallin continued her presentation by comparing the proposed salary reduction to an income tax on state employees even though the Administration said there would be no tax increases. If reductions were necessary, Ms. Wallin said she would recommend reducing wages by decreasing the hours employees had to work, and if some managers found it difficult to schedule furloughs, she suggested closing the state offices one day a month except for essential services.

Moving to page 8, Ms. Wallin reported that decision unit E710 requested \$12,081 in fiscal year 2012 and \$8,352 in fiscal year 2013 to replace office computer hardware per the Department of Information Technology (DoIT) recommended replacement schedule. Similarly, Ms. Wallin advised that E711 on page 9 of her presentation requested \$8,360 in fiscal year 2012 and \$5,560 in fiscal year 2013 for printers under the DoIT replacement schedule.

Ms. Wallin referred to page 10, noting that decision unit E713 requested \$17,168 in fiscal year 2013 for computer back-up batteries that were necessary to keep the statewide accounting system running in the event of a power failure. The equipment was being replaced according to the manufacturer's four-year replacement schedule.

Ms. Wallin referred to page 11, which reflected a series of enhancements recommended by the State Controller but eliminated by the Administration. Ms. Wallin requested that the Committee consider adding the enhancements, which were listed in order of priority and for which additional detail would be provided on page 12.

Ms. Wallin advised that page 12 reflected the information concerning decision unit E690 to restore and fund the assistant controller position and the American Recovery and Reinvestment Act of 2009 (ARRA) reporting and accountability officer. The proposed E690 add-back requested \$225,758 in fiscal year 2012 and \$228,495 in fiscal year 2013.

Ms. Wallin told the members of the Committee that the assistant controller performed critical functions for the Office including acting as the public information officer and legislative liaison, which the unpaid intern was currently attempting to carry out. The position also administered debt collection hearings and the Nevada Administrative Code hearings, prepared all of the reports for Nevada citizens with the exception of the CAFR, and carried out any special projects or research needed.

At the request of Chairwoman Smith, Ms. Wallin provided information on the CAFR. Ms. Wallin reported that the CAFR was an annual financial statement that provided comprehensive information on state revenues and expenditures. The 160-page report included all state government financial reports, including those of higher education, the Colorado River Commission of Nevada, and all insurance funds. Ms. Wallin told the members they could access the CAFR on the State Controller's website. http://controller.nv.gov/FinancialReports/CAFR_pdf_files/FY10All.pdf

In response to Assemblyman Atkinson who asked for information on the number of full-time equivalent employees in the Office of the Controller, Ms. Wallin stated that 45 full-time equivalent employees were authorized, but there were currently 5 vacancies including the assistant controller, a debt collection position, a chief deputy controller, and an assistant controller. A management analyst position in the Las Vegas office was currently in the process of being filled. Ms. Wallin advised that duties normally assigned to the chief deputy were being handled by the ARRA Office position in addition to her normal workload.

In response to Assemblyman Atkinson who asked whether anyone in the Administration had spoken to her about the ramifications of deleting the ARRA position, Ms. Wallin advised that she learned about the deletions after the State of the State message.

Assemblyman Hickey asked Ms. Wallin to elaborate on the characterization of the Governor's proposed budget cuts as a tax increase.

Ms. Wallin responded that state workers were perceived as being overpaid when in actuality they were underpaid compared to their counterparts in county and city governments. She said that, in fact, state employees were paid 10 percent less than their counterparts because of contributions to the Public Employees'

Retirement System (PERS). Additionally, it was Ms. Wallin's opinion that state employees were paid less than employees in the private sector.

Chairwoman Smith encouraged Ms. Wallin to schedule an appointment with Assemblyman Hickey to discuss the matter in further detail.

Ms. Wallin clarified her previous testimony concerning the CAFR and advised that one of the main reasons for preparing the report was that bond rating agencies used the CAFR to determine the state's bond rating.

Continuing her testimony, Ms. Wallin referred to page 12 and told the Committee members that the ARRA reporting and accountability officer was a critical position that provided the checks and balances necessary to ensure ARRA money was spent properly. She said that Nevada would receive an additional \$400 million until June 2014, and that funding would continue to require accountability. Additionally, Ms. Wallin pointed out that agencies needed to be monitored to ensure they were not commingling funds and that they were properly monitoring their subrecipients as required by the federal government. Ms. Wallin also mentioned that the federal government decided that it wanted all grants to be reported in the same manner as ARRA and had added additional reporting requirements. She advised that the ARRA position had been assisting agencies to comply with the additional requirements and pointed out that there was not another office or agency that could perform that function. Ms. Wallin also noted that the ARRA position was independent of the Office of the Governor, which meant that there were checks and balances.

Chairwoman Smith expressed concern about whether the experience and knowledge required for adequate coverage of ARRA reporting and accounting would be available within the Department of Administration's new Grants Management Unit. Additionally, Chairwoman Smith asked whether the elimination of the ARRA reporting and accountability officer position would relieve the Controller's Office of any involvement in the process.

Ms. Wallin said she believed that if the position was eliminated, the Controller's Office would no longer be involved in the accountability of ARRA funds.

At Ms. Wallin's request, Mary C. Keating, Acting Chief Deputy Controller, provided further clarification, noting that the state currently had approximately 130 active grants that were stimulus-related. Ms. Keating said that to date, Nevada had been awarded \$3.3 billion and had received and spent nearly \$2.9 billion of that amount, of which \$900 million was spent during the current fiscal year. As previously indicated, Ms. Keating said she was aware of an additional \$400 million that would

be made available, which did not include stimulus unemployment funding the state received in excess of \$10 million weekly and which was reported as received. Also as previously indicated, Ms. Keating advised that the stimulus legislation required the state to account for and report the information correctly, which included assurance that funds were not commingled with other funds and that funds were separately tracked to meet all federal reporting requirements, a task she worked on daily. Ms. Keating advised that each week she posted a consolidated report to the Controller's website concerning the activity of ARRA grants.

Chairwoman Smith asked for information concerning the difference between the Controller's Office and the Governor's Office accounting and reporting of stimulus funds.

Ms. Keating explained that she had met with the Governor's Office staff and learned that their focus had been on building the mandatory website required by the stimulus legislation. Additionally, she said the Governor's Office staff worked with state agencies on Section 1512 reports required by the Recovery Act. Ms. Keating advised that the accounting and fiscal work she performed did not duplicate duties performed by the Governor's Office staff. She said that accurate accounting of stimulus funds was imperative because state agencies accessed and used that data through the state accounting system to complete their Section 1512 reports.

Moving to page 13, Ms. Wallin continued her presentation and discussed decision unit E275 that requested \$200,000 in fiscal year 2012 to enhance the Office's existing Debt Collection and Recovery System project. The enhancement would allow the Office to automatically extract data from agency systems, such as those in the Department of Taxation and Department of Employment, Training and Rehabilitation (DETR). The enhancement would provide the Controller's Office the ability to offset debt at 60 days and begin debt collection earlier than in the past. Ms. Wallin explained that debt offset provided the ability to withhold payments to vendors who owed the state money. She pointed out that the percentage of collections increased the earlier it could begin and that by going from 90 days to 60 days improved collections by 12.5 percent. She said that currently agencies submitted their debt information on spreadsheets, which required cutting and pasting and delayed the submission of debts to the Controller's Office. Ms. Wallin pointed out that the enhancement would pay for itself through higher debt collections.

Chairwoman Smith asked Rick Combs, Assembly Fiscal Analyst, to provide additional information concerning decision units in the Controller's presentation. Mr. Combs explained that some of the decision units Ms. Wallin would be describing were funding requests that were not included in the Governor's

recommended budget. He explained that the funding amounts for those requests were combined and identified as decision unit E999, which appeared near the back of each agency's budget. Mr. Combs noted that the details for those combined amounts were not included in the Governor's recommended budget but that the Controller would provide information on those items she wanted the Committee to consider adding back into her budget.

Continuing her presentation, Ms. Wallin also pointed out that passage of pending legislation would allow the Office to begin collecting debt for local courts and municipalities, and she said that the enhancement would provide for the automatic collection of data from their systems as well. Ms. Wallin reported that the Controller's Office proposed to charge a collection fee for the service, as had the state of Kansas, which also collected for their local courts and municipalities. Ms. Wallin said that improving collection efforts was a high priority and the reason why debt collection was reported directly to her.

In response to questions Assemblywoman Carlton asked concerning why the state allowed collections to go beyond 30 days, Ms. Wallin explained that Nevada's debt collection policy was not unique. She explained that states did not do a good job in collecting debt because most agencies did not have the resources to devote to debt collection.

Ms. Wallin reported that a study by CGI, Inc. said that centralizing debt collection was efficient because there were dedicated resources to collect the debt. Since becoming increasingly involved in debt collection, Ms. Wallin said the Office had discovered that some agencies never sent bills to debtors. She said, for example, when the Department of Corrections started to turn over approximately 600 debts at a time to the Controller's Office and bills were then submitted to debtors, it was often discovered that debtors were unaware that they owed money to the state. Ms. Wallin reported that often when debtors were aware money was owed, they submitted the funds immediately.

Ms. Wallin advised that Senate Bill 81 was requested on her behalf and, if approved, would provide the Controller's Office the authority to prevent professionals who owed money to the state from renewing a license until they paid their debt. Ms. Wallin also commented that passage of the legislation would allow the Controller to develop and operate a data-match system with financial institutions for the collection of certain debts owed to state agencies.

Assemblyman Hambrick concurred with the pursuit of new technological efficiencies but asked the Controller to discuss the security and protection of the data collected by the Controller's Office.

Ms. Wallin assured the Committee that she was confident the data was secure because it was transmitted through the Office of the Controller's internal website and because it was not owned by one provider.

Assemblyman Bobzien asked the Controller to address how the terms for invoices across state agencies would be aligned. Additionally, Assemblyman Bobzien indicated that because of previous discussions with Ms. Wallin, he was confident the data was protected and secure.

Ms. Wallin commented that by using the XBRL-based solution for the single-audit reporting system, the Controller's Office could assure that the same terms of collection would be used across all agencies and the same rates of interest would be charged. She advised that the more standardized the system became, the more efficiencies it would provide.

Continuing with her presentation on page 14, Ms. Wallin testified that decision unit E276 requested \$50,000 in fiscal year 2012 for an XBRL technology solution to automate the single-audit reporting process. She explained that XBRL was an open-source business reporting language used extensively by governments around the world.

Ms. Wallin moved to page 15, which reflected a copy of a single-audit report to which agencies currently had to cut and paste data currently required by the federal government. Ms. Wallin pointed out that in fiscal year 2010 there were over 700 active federal grants that state agencies reported using the current cut-and-paste method. She advised that in the last fiscal year, 54 percent of all state expenditures were from federal funds the state had received.

Ms. Wallin said that the solution would allow the Office to automatically pull the information from its data warehouse, eliminating most of the data entry. Additionally, she pointed out that with the increased demands placed on fewer fiscal staff and a call from the Administration for increased performance management, the solution would allow the fiscal staff to spend more time analyzing the data and engaging in performance management, which would save money.

Ms. Wallin reported that on page 16 all of the items that could be automatically generated from the Controller's accounting system were highlighted. As shown, agencies would only be required to fill in the DUNS number, job number and their name, title, contact information, and department information. Additionally, Ms. Wallin said that the Controller's Office staff would not be required to re-key information, and because the system automatically provided the data, staff would not be required to manually verify the numbers, which would improve the integrity

of the information sent to the office auditors. Ms. Wallin also pointed out that because the XBRL was open-source technology, the Controller's Office would be able to share the taxonomy and solution with local governments and help them to automate the process.

Ms. Wallin advised that on page 17, decision unit E255 requested \$59,787 in fiscal year 2012 and \$60,060 in fiscal year 2013 for a legal research assistant. She said the deputy attorney general, assigned to the Controller's Office, asked for the position because his office could not handle the filing and renewing of judgments and bankruptcies and also because he was assigned to other state government clients. Ms. Wallin said that the duties could be assigned to the assistant controller if the position was restored to the Controller's budget, and then the request for the legal research assistant could be eliminated.

Ms. Wallin highlighted several initiatives on page 18 and advised the members that her office would continue working to automate its debt collection system, which would lead to increased collections and better knowledge of outstanding debt. Additionally, by the end of March, Ms. Wallin said that the Office would accept credit cards on its website to pay debts, which, as previously indicated, saved money because the work on the portal was done by internal staff.

Ms. Wallin also noted that effective January 1, 2012, federal legislation would require all state and local governments that made over \$100 million in payments to vendors to begin withholding 3 percent from each vendor. At that time, the Office of the Controller would also be required to issue 1099 tax forms to vendors. Ms. Wallin said that if the federal legislation was not repealed, additional resources would have to be expended to comply with the law including filling the accounting assistant position that was removed from the Controller's budget.

In response to Chairwoman Smith's request for clarification concerning the 3 percent that would be withheld from vendors' payments, Ms. Wallin confirmed that the Controller's Office would pay the 3 percent to the federal government without any financial benefit to the Office.

Chairwoman Smith asked Ms. Wallin to provide additional specific written information to the Committee concerning the volume of work associated with the 3 percent vendor withholding and issuance of the 1099 forms.

Ms. Wallin agreed to provide the written information and also provided clarification that the accounting assistant position was not currently needed but would be necessary later to comply with the law.

Turning to page 19, Ms. Wallin identified her plans for the Office. She said that because of the current economy and the budget problems, it was essential that all monies owed to the state were collected, and to do so, it was important to create a centralized repository for debt collection and accounts receivable throughout the state. Ms. Wallin noted that the debt collection study by CGI, Inc. found that the states most successful in collecting debt were those that were centralized. Additionally, she said her staff would continue to provide management consulting, performance management, and identification of waste and inefficiency to state agencies and would also continue to provide world-class customer service.

Ms. Wallin said that to create efficiencies in state operations, the Controller's Office was working with various agencies to establish standardized grant reporting, which would allow the use of an XBRL solution. She said every agency that received grants experienced the same problems, and therefore, staff was working toward using XBRL technology throughout the state. Additionally, Ms. Wallin pointed out that reducing paperwork would provide resources that could be used to improve services to Nevada citizens.

Ms. Wallin turned to page 20, which identified ideas on how to save money in the state that would free-up resources for education and other needed services. One idea she said would even help Nevada businesses to obtain work with the state, which would help to create jobs in Nevada.

Assemblywoman Mastroluca asked whether it was possible for the smaller agencies to use the Controller's Office for debt collection.

Ms. Wallin advised that the current system could not accommodate the needs of the smaller agencies, but it was an idea for consideration and one that she would discuss with her information technology staff.

Assemblywoman Mastroluca pointed out, for example, that it would be easier for teachers to pay their licensing fees to the Department of Education with a credit card, which they currently could not do.

Ms. Wallin advised that the Controller's Office charged a \$5 fee to offset some of the costs that the banks charged the state for accepting credit cards and that under the current statutes, some agencies were not allowed to subsidize the fee costs.

Chairwoman Smith closed the hearing on budget account 1130 and opened the hearing on budget account 1140.

ELECTED OFFICIALS — CONTROLLER — DEBT RECOVERY ACCOUNT (101-1140)
BUDGET PAGE ELECTED-120

Kim Wallin, State Controller, Office of the State Controller, identified herself for the record. Ms. Wallin began her presentation on budget account 1140 by turning to page 21 of her PowerPoint document ([Exhibit G](#)), which reflected the Governor's recommended budget summary for fiscal years 2012 and 2013.

Ms. Wallin reported that budget account 1140 was created in section 7.3 of Assembly Bill No. 87 of the 75th Session (2009) and that the money placed in the account could only be used to support the debt collection efforts of the State Controller, with approval from the Interim Finance Committee. She reported that on June 30, 2010, there was \$79,822 in the account, and the amount was now at \$138,000.

Ms. Wallin told the members that money was placed into the account from a 2 percent fee on interest charged to debtors and interest received on installment sales. Additionally, she said that the Controller's Office deposited General Fund monies it collected into the account as well. Based on the previous year's experience, Ms. Wallin estimated that the balance in the account by the end of fiscal year 2011 would be approximately \$200,000 and by the end of fiscal year 2012, \$375,000.

Chairwoman Smith noted that the money collected in budget account 1140 should be used specifically to support the debt-collection process. She asked, however, whether anything could be done to tie some of the funds to the enhancements needed to assist in debt collection.

Ms. Wallin responded that the fund was established for technology enhancements in the area of debt collection. She said the ultimate goal was to reach a point where debt collection could be totally supported by other fees and not by money from the General Fund.

Hearing no additional questions or concerns from the Committee, Chairwoman Smith closed the hearing on budget account 1140 and opened the hearing to public comment.

Chairwoman Smith noticed that the Committee members were using the electronic versions of the exhibits, but advised that if requested, hard copies could be made available. She reminded the members that the bills presented to the Committee at future hearings would only be available electronically unless hard copies were specifically requested.

Assemblywoman Carlton asked whether the exhibits were being archived as they were entered into the computer system.

Chairwoman Smith assured her they were, and that an information technology employee would be available for assistance in locating the documents.


Assemblyman Ocegüera indicated that all of the state agencies had been notified to send all documents and exhibits electronically.

There was no public comment and hearing no further comments or questions, Chairwoman Smith adjourned the meeting at 10:24 a.m.

RESPECTFULLY SUBMITTED:

Connie Davis, Committee Secretary

APPROVED BY:



Assemblywoman Debbie Smith, Chairwoman

DATE: _____

EXHIBITS

Committee Name: Committee on Ways and Means

Date: February 10, 2011

Time of Meeting: 8:05 a.m.

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
	C	Mark Lipparelli, State Gaming Control Board	PowerPoint of budget presentation
	D	Stacy M. Woodbury, Chief, Administration Division, State Gaming Control Board	A letter dated February 10, 2011, regarding the manner of solicitation for the self-funding proposals developed by the Board
	E	Paul Townsend, Legislative Auditor	Audit Report Summaries
	F	Joe Strolin, Acting Executive Director of Nuclear Projects	2010 Report of the Nevada Commission on Nuclear Projects: Summary of Key Points
	G	Kim Wallin, State Controller	PowerPoint Budget Presentation