

**MINUTES OF THE
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-sixth Session
April 12, 2011**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Moises (Mo) Denis at 8:14 a.m. on Tuesday, April 12, 2011, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Moises (Mo) Denis, Chair
Senator David R. Parks
Senator Dean A. Rhoads
Senator Ben Kieckhefer

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Marcus L. Conklin, Chair
Assemblyman Paul Aizley, Vice Chair
Assemblyman Kelvin D. Atkinson
Assemblyman Tom Grady
Assemblyman Randy Kirner
Assemblyman John Ocegüera

STAFF MEMBERS PRESENT:

Rick Combs, Assembly Fiscal Analyst
Erica Eng, Program Analyst
Rex Goodman, Principal Deputy Fiscal Analyst
Wayne Thorley, Program Analyst
Madison Piazza, Committee Secretary

OTHERS PRESENT:

Katrina Nielsen, Budget Division, Department of Administration

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Michael Fischer, Acting Director, Department of Cultural Affairs
Peter Barton, Acting Administrator, Division of Museums and History,
Department of Cultural Affairs
Julie Wilcox, Director of Public Services, Las Vegas Valley Water District
Dale Erquiaga, Senior Advisor, Office of the Governor
Andy Belanger, Management Services Manager, Las Vegas Valley Water District
Daphne DeLeon, Administrator, Division of State Library and Archives,
Department of Cultural Affairs
Steve Woodbury, Chief Deputy Director, Division of Tourism, Commission on
Tourism

CHAIR DENIS:

We are going to open the Work Session on the Department of Cultural Affairs.

ERICA ENG (Program Analyst, Fiscal Analysis Division, Legislative Counsel
Bureau):

We will start off with budget account (B/A) 101-2943.

COMMERCE AND INDUSTRY

ECONOMIC DEVELOPMENT AND TOURISM

Tourism – Museums & Hist – Nevada State Museum LV, — Budget Page ECON
DEV & TOURISM-70 (Volume II)

Budget Account 101-2943

The Governor's budget proposes funding to continue operations of the State Museum at Lorenzi Park with the existing 10.6 full-time equivalent (FTE) positions at that facility. The *Executive Budget* does not include funding to open the Las Vegas Preserve Museum which is part of the 180-acre Springs Preserve campus maintained by the Las Vegas Valley Water District (LVVWD). For the Nevada State Museum, Las Vegas budget account, the Governor recommends total funding of approximately \$1.1 million in fiscal year (FY) 2011-2012 and about \$1.12 million in FY 2012-2013, which includes General Fund appropriations of \$654,154 in FY 2011-2012 and \$529,521 in FY 2012-2013. It is important to note that most of this funding in the Governor's budget currently goes to the Lorenzi Park facility; however, part of this funding does

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include General Fund appropriations of about \$200,000 per year for the Springs Preserve Museum's utility and maintenance costs.

As mentioned during the hearing on March 10, 2011, the Agency has moved, or is in the process of moving, the remaining exhibits from the Lorenzi Park Museum to the new Springs Preserve Museum. The Museum and History Board voted to stop charging admissions at the Lorenzi Park site effective March 2, 2011, due to lack of exhibits. What is currently in the Governor's budget is funding for Lorenzi Park which has very few exhibits left.

On April 8, 2011, the Budget Division submitted Budget Amendment No. 262 which proposes to open the State's Las Vegas Springs Preserve Museum. The target opening date for the new museum would be September 1, 2011, with a reduced four-day-per-week schedule, similar to other State museums.

Two additional decision units are created in Budget Amendment No. 262. Decision unit E-236 reflects the savings from closing the Lorenzi Park facility. Decision unit E-754 reflects the additional costs associated with opening the Springs Preserve Museum.

E-236 Reduce Duplication of Effort – Close Lorenzi Park Museum

E-754 Budget Restorations – Open Springs Preserve Museum

The proposal to open the new museum assumes that the museum at Lorenzi Park would be abandoned and closed. That would be effective October 31, 2011, so all fire suppression systems, security and utilities would be turned off by then. Decision unit E-236 reflects reductions solely from Lorenzi's utilities totaling \$47,673 in FY 2011-2012 and \$71,336 in FY 2012-2013, including reductions in General Fund appropriations of \$60,541. The remainder of the expenses budgeted for Lorenzi would go to fund the new Springs Preserve Museum.

The State of Nevada is currently in a lease agreement with the City of Las Vegas for the one and one-half acre property at Lorenzi Park on which the museum is located. Although the State owns the building, the lease is subject to

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termination at the option of the City if the State fails, for three consecutive months, to utilize the facility as a normal functioning museum. The Agency has indicated to Fiscal Staff that high-level discussions are underway with the City of Las Vegas regarding the status of the building after the potential closure date of October 31, 2011, but further progress is unknown. The Subcommittee may wish to receive an update on the discussion with the City of Las Vegas regarding the Lorenzi Park Museum facility.

CHAIR DENIS:

Will someone please bring us up to date on this discussion?

KATRINA NIELSEN (Budget Division, Department of Administration):

I do not have an update from the Governor's office regarding the status of the negotiations with the City of Las Vegas.

MICHAEL FISCHER (Acting Director, Department of Cultural Affairs):

The Governor's office has had negotiations with the City of Las Vegas, but there are no firm agreements at this time. They are in the process of looking at a number of different options, including joint usership of the building and perhaps something else that they would jointly do with the City of Las Vegas.

CHAIR DENIS:

Our concern is that Budget Amendment No. 262 zeros out the Lorenzi budget. The agreement states that the City owns the land and the State owns the building, but the State has to maintain a museum in that building. What will happen when Lorenzi is closed and the building is no longer in use?

MR. FISCHER:

They are aware that there are no utility costs in the budget as it exists. They are looking at options to find some sort of equitable situation which would be beneficial to the State, which is what the negotiations are regarding.

CHAIR DENIS:

Because there may be some additional costs, we will need to be updated on that agreement. Are the discussions with the City ongoing or are they on hold?

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MR. FISCHER:

The Governor's staff has been engaged with the city manager and the discussions were ongoing. I can ask and bring the information to you.

CHAIR DENIS:

Yes, please get that information to us, because that could impact budget closings.

MS. ENG:

In decision unit E-754 of Budget Amendment No. 262, the Governor recommends additional funds to open the Springs Preserve: General Fund appropriations, admission charges, transfers from tourism and transfers from the Museum Dedicated Trust Fund. When those are combined with the above described reductions from closing Lorenzi Park in decision unit E-236 and the agreement with LVVWD described later, opening the Springs Preserve would require total additional funds from all sources of \$227,194 in FY 2011-2012 and \$250,586 in FY 2012-2013. This includes net additional General Fund appropriations of \$93,291 in FY 2011-2012 and \$88,225 in FY 2012-2013.

In addition to the 13 staff at Lorenzi, which is 10.6 full time equivalents (FTE), the amendment would add 6 new employees, or 4.51 FTEs, and downgrade the existing facility supervisor I to a maintenance repair worker IV. Five of the new positions would be staffed at 0.8 FTE and there would be one new 0.51 FTE retail storekeeper. In addition to the Lorenzi staff, there will be six new positions, which are:

- Administrative assistant IV: help the current museum director with fundraising, establishing and maintaining contracts, payroll, accounting, planning, manage personnel and museum attendants, museum programming and be liaison with the LVVWD.
- Museum attendant II: greet customers, answer questions, coordinate volunteers, assist with tours, and receive money and run computer admissions and ticketing system.
- Facility supervisor III: manage the complex museum building which is over 70,000 square feet and maintain the heating, ventilating and

- air-conditioning, pest management, security, life safety, electrical systems, etc.
- Custodial worker II: help facility supervisor with boilers, chillers, water towers, air handlers and other equipment, clean building, perform specialized cleaning and maintenance of the museum collections and exhibits.
- Security officer: patrol and provide possible first aid, public relations and security measures needed to maintain visitors' safety and security of the expensive artifacts. Alternate patrolling and scanning the security camera system with the current security officer. The security system is on a different floor than the exhibits.
- Retail storekeeper I: assist in running museum store including retail sales, stocking and inventory.

The above recommended staff is 8.02 FTEs fewer than what was requested by the Agency to open the new museum. This is partly due to an agreement with LVVWD whereby it would share some of its personnel and contracted staff. The Springs Preserve Museum opening scenario presented in Budget Amendment No. 262 relies upon a revenue and staff sharing agreement with LVVWD for the upcoming 2011-2013 biennium; however, the LVVWD agreement was not included in the budget amendment because the plan is preliminary. The terms have not been finalized, and the plan was proposed in e-mail format that Staff obtained.

The LVVWD indicated that 35,672 adult general admission tickets priced at \$9.95 were sold in FY 2009-2010 totaling \$356,720. The LVVWD anticipates that the number of adult tickets sold will increase by 17,500, with additional sales revenue of \$175,000 per year, from the opening of the new State Museum. The LVVWD has proposed prepaying and guaranteeing the State Museum 10 percent, or \$35,672, of its FY 2009-2010 adult general admission tickets, and 10 percent, or \$17,500, of the additional adult general admission tickets anticipated to be sold because of the opening of the new museum. It is not clear why the State Museum would receive only 10 percent of the \$175,000 in anticipated additional adult ticket sales considering the increase is directly anticipated because of the opening of the new State Museum.

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The State would not receive admission revenues charged by the LVVWD for children because *Nevada Revised Statutes* (NRS) 381.0045(2) requires free admission to any State museum for children under the age of 18. At the continued joint ticket price of \$9.95 per adult, the guaranteed admission revenue that the State Museum would receive from the new museum would total \$53,172 per year. If the Springs Preserve realizes additional admissions over the anticipated figure, the State would only be credited 10 percent of the excess adult admission charges received by LVVWD at the end of the fiscal year. Anything beyond that \$17,500 is not prepaid upfront.

CHAIR DENIS:

We would get any funds received above the guarantee at the end of the fiscal year. However, we would not actually budget for it because we do not know what amount it will be. Is that correct?

Ms. ENG:

In this agreement, that is correct.

The proposal with LVVWD includes its estimation of \$258,614 per year in staffing and in-kind services it would provide to the State Museum. The LVVWD proposes to provide the following staff or services valued by LVVWD at \$83,614 per year: two temporary museum attendants, coordination of education programming, ticketing/administrative staffing and volunteer coordination of four or more volunteers, as well as Opportunity Village custodial support and general outdoor maintenance. The proposal also includes an estimated marketing and advertising benefit which LVVWD has valued at \$175,000, including 15 percent of LVVWD's media buy, signage and sponsorship at events and features in printed media. The Agency has indicated to Staff that the Governor's recommendation to move all the State museums under the Commission on Tourism will provide further marketing support from Tourism, especially for the Springs Preserve Museum.

Staff notes that under this 10 percent agreement with LVVWD, admission revenues received by the State would be roughly 70 percent less per year than estimates provided previously by the Agency, if the State Museum were to directly charge \$10 per ticket. That would be in addition to the LVVWD's \$10 fee to enter the Preserve. It is not clear how the two parties determined

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that the 10 percent of adult admission charges is a fair estimate of the State Museum's entrance value. The agreement appears to make the State Museum dependent on the collections and approved revenue transmittal determined by LVVWD, rather than the State directly collecting an amount per person admitted.

There are several issues of concern the Subcommittee should note that are related to opening the Springs Preserve Museum. The first is special events revenue. As discussed during the budget hearing, the Agency has held several events at the Springs Preserve Museum, including two weddings in FY 2008-2009, and has also rented out the facility. The LVVWD has held more than 120 weddings and other private social events at the Springs Preserve in FY 2008-2009. The revenue from these special events arranged by the State Museum staff has not been posted to the Nevada State Museum, Las Vegas budget account 101-2943, but was instead posted to the Museum Dedicated Trust Fund account which is not in the *Executive Budget*.

Under the current plan to open the Springs Preserve, no revenues from special events or facility rentals, either from the State Museum or LVVWD, are being budgeted. Therefore, special events receipts would not go to fund ongoing operating expenses of the new museum, notwithstanding the fact that taxpayer funds of approximately \$51.6 million were used to construct the facility. First, does the Subcommittee wish to pursue using the special events and facility rental revenues for the operating expenses of the new Springs Preserve Museum? This could potentially require a statutory change. Second, does the Subcommittee wish to pursue the inclusion of the special events revenue generated by LVVWD as part of the agreement?

CHAIR DENIS:

Do we want to pursue the special events and facility rental revenues?

SENATOR KIECKHEFER:

They have provided the number of individual events, but how much money is that?

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MS. ENG:

The State Museum staff receives special events revenue separately from LVVWD, so you may want to get the numbers for that as well.

PETER BARTON (Acting Administrator, Division of Museums and History, Department of Cultural Affairs):

In the first eight months of FY 2010-2011, we have had three events that have generated a total of \$5,400 in revenue. It is difficult to predict, on an annual basis, what types of special events may, or may not, be held at the museum. We have nothing planned, tentatively, for the rest of the fiscal year, so I am led to believe that \$5,400 will be the total for this fiscal year.

SENATOR KIECKHEFER:

Is that from special events held at the Lorenzi facility?

MR. BARTON:

No, that is what has been generated from the Springs Preserve.

SENATOR KIECKHEFER:

Did they not get anything from the 120 private or social events that were held at the Preserve in FY 2008-2009? Why was there a large gap between the 120 events held in FY 2008-2009 and the three events held in the current fiscal year?

MR. BARTON:

The 120 events were held at the Springs Preserve, not at our museum. We did not take ownership of the building until the end of FY 2008-2009.

CHAIR DENIS:

How much did we receive from the three events held in your building?

MR. BARTON:

We generated \$5,400 in revenue from the three events held at our building.

CHAIR DENIS:

In the current fiscal year, you have held three events. Did you hold two events in FY 2008-2009?

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MR. BARTON:

I would have to review that. If Staff has done the research, they are probably correct, but we did not take occupancy of the building until May 8, 2009. It is possible we did two events in the past six weeks, but I do not recall them.

CHAIR DENIS:

Do we want the revenue coming from special events to go to the General Fund or the direct expenses here?

SENATOR KIECKHEFER:

Does it currently go to the Museum Dedicated Trust Fund?

MS. ENG:

That is correct. It is a non-*Executive Budget* account. The revenue in the Museum Dedicated Trust Fund is used for museum programs and other uses as specified by the donor or as approved by the Board of Museums and History. The funds are also transferred to the five State Museum accounts to fund the museum store attendant positions which collect sales from the store that go into the Museum Dedicated Trust Fund.

SENATOR KIECKHEFER:

Could funds deposited into that account be used to offset General Fund appropriations for operating purposes?

MS. ENG:

Yes, they could; however, right now they are only used for that one position. All the special event revenue funds are going into the Museum Dedicated Trust Fund. They are used to reimburse personnel expenditures that are used for special events, but the rest remains in the Trust Fund. The Trust Fund is not currently used for museum operating expenses except for the one store attendant position.

RICK COMBS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

I would like to clarify how Staff views this issue. Realizing the museum has not been opened, it is difficult to tell you how much revenue will be generated from special events. Using the data we have, it leads us to believe it could be a

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considerable amount of money. I have toured the facility prior to its completion. There is an area in the building that has a beautiful view of the city skyline and it has a nice outdoor area as well as an indoor area.

When we saw how much the Preserve Facility had generated in terms of outside events, it seems that once the facility is open and people are visiting on a daily basis, the interest in using it for special events would be enhanced. Because of the way the statute is worded and interpreted by the Department, that money is going into the Trust Fund. Staff wants to make you aware that taxes were used to fund the building and wanted to ensure that if you kept that interpretation of the statute you had a good understanding prior to making that decision.

Would you like Staff to explore whether the statute needs to be amended to allow that money to be used to help support the operations of the museum? Also, would you like Staff to work with the Agency to put together a better estimate of what it might generate in the upcoming 2011-2013 biennium? Because we do not have any history to review and use to forecast upcoming revenues, Staff would be cautious in its estimations. From my personal observations I think there is potential in the future for the new museum to generate revenues from special events.

CHAIR DENIS:

Would someone from LVVWD please comment on the events you have held?

JULIE WILCOX (Las Vegas Valley Water District):

When we planned the Springs Preserve and the opening of the Spring Preserve, which was 15 years ago, we were in a very different economic position. We had expected an attendance of approximately 600,000 people when we opened. Since the opening in 2007, we have just surpassed 217,000 visitors. We are content with this number considering the economic changes. The model we started with has gone through some major changes, so we are very cautious with predicting future revenues.

We have done extremely well in the past few years with respect to figuring out who our customers are and what they want. We have found that customers want special events. A small percentage of customers come just to tour our

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museum. One of our signature events is the Haunted Harvest which is probably our biggest single event. This past weekend, we had approximately 3,000 people at the Día del Niño event. We have a \$600,000 media buy that we use primarily to market those events.

When we put an event together, we do a profit and loss statement to see what the expenses will be, including staff time, and what revenue we estimate will be generated. If we cannot break even, we will not do the event. Our goal is to continue to make some profit so we can pay for the programming.

CHAIR DENIS:

How much did you make on the special events?

Ms. WILCOX:

Are you asking about third-party, private events, where we rent out the facility, or events that are sponsored by LVVWD and are put on for the community?

CHAIR DENIS:

It would be worth looking at those events sponsored by LVVWD, but we are discussing third-party events.

Ms. WILCOX:

I do not have a number relating to third-party events, but I can get that number to you. We have a contract with Wolfgang Puck which gives them the sole opportunity to cater those third-party events. When a third party books an event, there is a booking fee for the room cost and then they work with Wolfgang Puck for the food services. We do not make money on those third-party events. We are developing a Request for Proposal (RFP) to open the contract with Wolfgang Puck. When the contract was negotiated, the economy was very different and LVVWD believes there are more areas where we could benefit from if we make contract changes. I fully expect that there will be others besides Wolfgang Puck who submit bids, but I cannot tell you what that outcome will be.

When the State Museum does an event, they work with Wolfgang Puck and the third party to decide what they want. We own everything at the Preserve, the dishes, napkins, and other items. The LVVWD does not receive any fees, but

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we do all the set up and all the clean up for the facilities when there are third-party rentals at the State Museum. Wolfgang Puck will receive the revenue from the catering. Our contract with Wolfgang Puck states that after a certain amount of money, we will get a percentage back.

CHAIR DENIS:
Are you taking a loss on the utility costs?

Ms. WILCOX:
We get the room rental, unless it is held at the State Museum in which case they receive the room rental.

ASSEMBLYMAN AIZLEY:
Considering these events can be labor intensive, do you share staff with the museum for these events?

Ms. WILCOX:
We have cut our staff substantially over the past two years. We have a pool of temporary workers whom we have interviewed and are available for use during events. Those temporary workers are who the State has access to, in order to do these types of events. Yes, we would be coordinating staff with the State Museum.

CHAIR DENIS:
For example, the wedding ceremony package shows that if you have fewer than 50 guests, and are holding it in the Desert Living Center Inner Rotunda, you charge \$750. How much of that goes to Wolfgang Puck?

Ms. WILCOX:
The \$750 is the fee for the facility rental which generally goes to LVVWD. Occasionally, Wolfgang Puck will offer a discount when negotiating with the client and we will work with them on that.

CHAIR DENIS:
You consider this amount to be the room rental?

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Ms. WILCOX:
Yes.

CHAIR DENIS:
Do you know how much you get from the room rentals on special events?

Ms. WILCOX:
No, I do not. We also have a café that we run, so the café's numbers and the room rentals run together. Once you look at the whole package, the café does not make money, the events make money.

CHAIR DENIS:
Considering the multiple areas you have to rent out, how many events were done last year?

Ms. WILCOX:
We have five additional locations.

CHAIR DENIS:
With the State Museum, we would not have as many options.

Ms. WILCOX:
There are many options and I think the State Museum will be very desirable for rent space. We are trying to build and market our events even more. We had over 100 events, from low-cost birthday parties to high-cost weddings. There are certain times of the year that are more productive than others; spring is quite popular for weddings, usually in the gardens. They commonly move to another facility, which is indoors, for the reception. It is based on availability and the time of year. I believe that we can do many more events. I agree with Mr. Combs, when people see the new museum and how magnificent that facility is, more people are going to be interested. It will probably be much easier for the State staff to open the museum and let it be used, whereas right now, because exhibits are being built there, it has limited access. The facility also has the best view on the campus from the upstairs balcony.

MR. BARTON:

I want to clarify that the Trust Fund provides direct programming support to each museum. The revenues that are captured in that fund are used to pay for services that enhance the General Fund capture of admission revenue. For instance, we have no line item for acquisition or development of temporary exhibits in museums. Temporary exhibits are what drive visitation, particularly local visitors, because they want to see something new. The revenue we gain from special events, sales in the store and memberships, goes directly to support development of temporary exhibits and educational programs for which no General Fund appropriations are made. I want to make it clear that the Trust Fund is used to expand the missions and goals of the museum, it is not an investment fund.

CHAIR DENIS:

Special events are not included in those expenses and we need to discuss that. The agreement would package the admission if a ticket is purchased that grants admission into either museum. Do we want a similar type of agreement with special events, where marketing would show the additional facilities available from the State Museum?

MS. WILCOX:

When we have a an event sponsored by LVVWD, such as traveling exhibits, we have a different ticket price. If the State Museum wants to have a separate ticket price for a traveling exhibit, that revenue would go to them. On the other hand, any revenue we have from a traveling exhibit would go to us. We provide substantial marketing for their events, and that is why we feel that is an appropriate agreement.

CHAIR DENIS:

What about third-party events? If someone wants to use your garden for one part of their event, and one of our facilities for another part, is there a nexus for marketing everything together?

MS. WILCOX:

That is something we currently do. We market the State Museum. It is the largest indoor space that we have, so it can accommodate the larger parties. Wolfgang Puck markets the State Museum as well.

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CHAIR DENIS:

How does the current agreement work with respect to the budget? And how will the agreement look in the future?

MS. WILCOX:

We market the whole package. If a customer wanted to get married in the garden, there is a fee, and if they wanted to have a reception in the State Museum there is a fee for that as well. The whole package is put together and then they negotiate. The price of the room may go down or the price of the garden may go down so the catering cost is more agreeable to the customer.

CHAIR DENIS:

In that case, what revenue would the State Museum receive? Would it be a negotiated rate as opposed to a percentage of the overall packaged price?

MS. WILCOX:

It is a set number. It is generally \$5,000 for a space rental at the State Museum that will be adjusted up or down based on the event's needs.

CHAIR DENIS:

Do we want the money from special events to go to operating or to the Trust Fund?

MR. BARTON:

The schedule of fees is developed by the Board of Museums and History, it is part of their statutory authority. Staff develops a schedule each year and annually the Board of Museums and History review the policies and the costs for spaces. We have developed it for the Springs Preserve and it will go before the Board at its June meeting for implementation on July 1, 2011. We are willing to share that information with Staff.

CHAIR DENIS:

Do you have revenues going to the Trust Fund or operating category?

MR. BARTON:

It is our interpretation of NRS 381.0031 that all monies, other than appropriations of the Legislature, admission fees or train ride tickets, are private

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funds rather than State funds. This is not an admission fee, so it falls into that category and goes to the Trust Fund.

ASSEMBLYMAN GRADY:

This facility, which the State built at a cost of approximately \$56 million, is not being used to its optimum. We have an opportunity to enter into a three-way partnership with LVVWD, the State Museum and Mr. Puck's organization. We are discussing a two-year contract. We should not be overly interested in revenues, though the State does need all the income possible. If they are doing the marketing and trying to get this going, but it has not been real successful in the past, maybe we should give them some leniency to help them market for the first two years. After the first two years, we will have a better idea of what they are doing and actual dollar amounts can be reviewed and renegotiated.

CHAIR DENIS:

That is an important discussion. We first want to decide if special-event revenue should go to the Trust Fund or for operation of the museum.

ASSEMBLYMAN GRADY:

If they are using State money to improve the facility and draw more people there, I do not have a problem with that. I am sure their financials are reviewed and audited. Rather than worrying about getting money from a joint agreement off the use of the facilities, I would prefer to see them improve the facilities and then determine if we need to get involved.

CHAIR DENIS:

Mr. Grady, are you okay with it going to the Trust Fund?

ASSEMBLYMAN GRADY:

Yes, I am.

ASSEMBLYMAN CONKLIN:

I agree with Mr. Grady. If we were discussing \$1 million it would be different, but we are discussing \$5,400 for this fiscal year. You do have to spend some money to make things better. I want to see the language in the trust, because I would want the money to be used specifically for reinventing and expanding those programs to make them better. With each successful event, there will be

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more money to create bigger and better events. I do not want to be tied to it forever, but when we are trying to differentiate ourselves in this down market, I am okay with this.

ASSEMBLYMAN KIRNER:

I agree with my colleagues. It seems to me that you make your money off the special events, not the general admissions. Make the special events big and bring in more general admissions so we can improve that balance.

MS. ENG:

We will now discuss the preliminary admissions charges agreement with LVVWD. The first item is attendance. The LVVWD has indicated that 30,115 children attended the Springs Preserve on field trips, 35,672 adult general admission tickets were sold in 2010 and it anticipates 17,500 additional adults will come annually because of the opening of the museum. Staff notes that these admission figures provided by LVVWD for the Springs Preserve appear to be significantly lower than visitation figures in newspaper articles and 2009 figures in LVVWD's financial report. According to LVVWD's 2010-2011 financials and budget, the Preserve welcomed more than 202,000 visitors in 2009. Over 33,000 students participated in free events.

The second item in the LVVWD Springs Preserve website indicates that it has annual memberships with unlimited access to the Springs Preserve. These memberships range from \$25 to \$1,000 per year and do not appear to be part of the revenue-sharing calculation and agreement with the State Museum.

The third item is a possible increase in the joint ticket price. Budget Amendment No. 262 and the preliminary agreement with LVVWD do not include an increase in the ticket price of \$9.95 per adult for the opening of the new museum.

The State has spent about \$51.6 million to construct the State Museum at the Springs Preserve. It would require net additional General Fund monies of roughly \$93,000 in FY 2011-2012 and about \$88,000 in FY 2012-2013. No revenues from special events, from either the State Museum or the LVVWD's Springs Preserve, would be used for the ongoing operations of the museum. The State would receive total admission revenues of \$53,172 per year and, if the \$175,000 marketing figure is accurate, approximately \$260,000 in in-kind

services. The LVVWD anticipates adult admission revenues of roughly \$473,000, plus annual memberships and revenues from children who are not on school trips.

Prior to discussing options for consideration, the Subcommittee should invite the Department and the LVVWD representatives to discuss the Governor's amended plan in more detail.

The Agency should explain what would happen to the Lorenzi Park building after the State turns off all utilities and security and if there is any legal obligation to maintain the building.

DALE ERQUIAGA (Senior Advisor, Office of the Governor):

The proposed budget that was originally submitted would have left Lorenzi Park on life support and the facility at the Springs Preserve unopened. The Governor directed the Department to find an alternative which is this amendment. I want to publicly thank the Springs Preserve and LVVWD for coming forward. This is a creative proposal and a good public partnership that we should pursue. It is a good answer for the people of Las Vegas to open this nearly \$56 million facility which would otherwise lie fallow for two years.

A lease was signed many years ago with the City of Las Vegas for the Lorenzi Park Facility. The land is owned by the City of Las Vegas and the State agreed to sign a lease and to construct a building with the condition that it operate as a cultural facility and museum. If the State vacates that building and relinquishes it, as is proposed under this plan, the building will revert to the City of Las Vegas. It would not remain a State asset at that point. This is not ideal, as the initial plan was to maintain the two facilities, Lorenzi Park and this new museum.

It is now 12 years later and the economy is in a different place. Our discussions with the City of Las Vegas have yielded the following results: the Lorenzi Park facility would revert to the City and they would do an RFP for the building as a cultural or community institution. They believe, as do we, that the people of that west Las Vegas neighborhood deserve a cultural institution in that Park. We are in negotiations with the city manager's office to see what we can receive in exchange for that asset. Our initial conversations dealt with a records

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repository, as the State does not have a record center in Las Vegas. The City of Las Vegas has a great record center, so our original hope was that we would be able to do a \$1 per year lease, for example, for some space in that facility. The City does not think there is enough room for us in that facility. They are looking at other options, from land to other types of assets. I do not have a final answer from those negotiations, but we hope to have it resolved by the time the Legislature approves the budget.

This proposal is a worthy one; we appreciate the partnership with the water district. It is a way to save the Springs Preserve asset and get it opened and used. It will allow us to build a partnership that we will revisit in two years to see how that memorandum of understanding is being applied. It allows us to extricate ourselves from the Lorenzi Park facility without incurring additional operating and utility costs for the State. It also allows us to find, hopefully, some return to the State in exchange for the investment we have made there.

CHAIR DENIS:

The Hispanic museum does not have a location for its items. That could be a good fit for the Lorenzi Park facility.

MR. ERQUIAGA:

That group has been mentioned by the City and they are being considered for this facility.

CHAIR DENIS:

How do you feel about the agreement with the Springs Preserve?

MR. ERQUIAGA:

Any agreement could be better for both parties, but having said that, we have been very clear to our staff and LVVWD that they had to achieve a balance and I believe they have done so. It is not perfect for either party, but the goal is to get the asset opened and that is what is happening.

CHAIR DENIS:

Why would the State Museum receive only 10 percent of the additional admission revenue anticipated from the opening of the new museum? Why is an additional admission charge for the State Museum, or an increase in the joint

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ticket price, not considered in the agreement? Was an option ever considered where the price of the joint adult ticket would be increased, and the State Museum would receive 100 percent of the increase over the \$9.95 per adult LVVWD price?

Ms. WILCOX:

We shared all of this information with your staff. When we opened the Springs Preserve, we were in a very different economic time. We started charging \$14.95 for general admission tickets, but we found out quickly that the price was too high. We had based that number on surveys, statistics and marketing firms. We currently do market research on an ongoing basis, talking to our customers to find out what they want out of their experience as well as what the market can bear. Unfortunately, the cost and value of the facility is not anywhere near the admission that you will receive for that facility. Our facility is over 180 acres and worth well over \$200 million. Attendance was stagnant at \$14.95. After reducing the admission to \$9.95, we saw more visitors. We then began to put together events sponsored by LVVWD. For those events we would charge slightly more, \$1 or \$2. We have been adding new items to the Preserve to test what the community interests. We have discussed the option of adding \$2 to the price of the general admission ticket and having 100 percent of that going to the State Museum. That is an option, though I think it might keep some people from attending. From our experience, if we both have a separate \$9.95 ticket, the Springs Preserve will lose some visitation, but I do not think it will lose as much as the State Museum. We have a wide variety to offer, whereas the State Museum is centered on cultural aspects. This is why we feel a joint ticket price of \$9.95 for the first two years would be suitable. It will also allow us to gather information, conduct surveys and speak with the customers.

CHAIR DENIS:

I will turn the meeting over to Assemblyman Conklin.

CHAIR CONKLIN:

We have specific concerns, not so much about the ticket price, but about the 10 percent of admission revenues. We want the financial aspect to be fair for the State so that the Subcommittee feels comfortable making a recommendation. As the revenue increases, the 10 percent portion remains the

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same, but the State will make a smaller profit because there is a greater return on any fixed cost. As business grows, the profitability of the ticket price will grow with it because your fixed cost is diminished for every new ticket that you sell. We want to make sure there is language that allows the State to profit as money is made on the project, recognizing that, if there is no advancement in visitors, everyone will take a loss.

Why would the State Museum only receive 10 percent of the additional admissions revenue anticipated from the opening of the Museum?

Ms. WILCOX:

Based on past surveys, we estimate that we will have approximately 17,500 additional visitors if the State Museum is opened. That amount of money is only for the additional visitors. We said we will give you 10 percent of the visitors that are already coming to our facility, which was the \$35,672. For the people who are paying the general admission of \$9.95, because they want to come to the Springs Preserve, we are offering you a guarantee of 10 percent of that amount. If the number of visitors is higher, you will get 10 percent of that number as well. We were comfortable taking the risk of offering that amount because we are confident that we will attain it. With the marketing that is going to take place, I am confident that we will actually have more than 17,500 additional visitors.

We have a budget as well. If we are guaranteeing you that \$35,672 and the visitors do not come, it will come out of our budget. That is the percentage we are comfortable with because we still have to pay the operating costs which includes outdoor security, groundskeeping and lighting.

CHAIR CONKLIN:

Right now you have roughly 350,000 visitors per year.

Ms. WILCOX:

It is about 217,000 visitors per year.

CHAIR CONKLIN:

You expect an increase in attendance and that increase is expected to pay \$175,000 in ticket prices. Your rationale for the growth this year is, in part,

because we have opened that facility. There are two issues here. First, the State Museum is not open, but it is located at the Springs Preserve, so once we open, we are providing those people with something extra that they get to see; however, there is a cost associated with that. If we assume you pay 10 percent for the base number of visitors, that is reasonable in light of the fact that we have operating expenses to open that and your people will have access to it.

Second, more people will be attending because we are there. My question is, would you find it reasonable if we were taking 90 percent of the revenue and only giving you 10 percent? Is that reasonable, considering the growth is due to our presence? I understand the 10 percent that comes from the visitors that you already have, as they would be there regardless of whether we opened the Museum or not. I am concerned with the growth portion of the admission revenue attributable to the opening of the museum.

Ms. WILCOX:

What we have offered is fair. There are different types of attendance, such as general attendance and events attendance. We are discussing those who buy a general admission ticket for \$9.95 and the additional 17,500 visitors who would come just for that \$9.95 general admission ticket, not the other attendance types.

ANDY BELANGER (Las Vegas Valley Water District):

The concern we have is whether we should increase the \$9.95 ticket or leave it where it is. If we keep it at \$9.95, you are taking the revenue that LVVWD already earns. Your point is well taken, because the \$175,000 is new revenue. One of the items we considered when we were discussing this proposal about the State Museum, was whether it makes sense to increase the \$9.95 ticket price by \$2 or \$3, and whether 100 percent would go to the State. Our major concern was how to provide experiences at the new facility to the people in southern Nevada in a way that does not add additional costs. Is there a way we could arrange it so that people can visit both facilities for \$9.95 in this two-year interim period before the State is able to fund the positions necessary to operate the facility, which satisfies the need of the community and also provides some revenue to the State? I recognize it is not as much if the State were doing it all on its own, but that was the balance we came up with.

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CHAIR CONKLIN:

You are indicating to me that you want to keep LVVWD whole. If revenues increase, it does not mean that expenses will increase as well. As your revenue increases, your marginal cost, relative to the increase in revenue, should be shrinking or remaining the same. The money you receive as gross profit from the sale of a ticket is actually getting larger. We have risk as well and we want to make sure we are getting the best deal we can on that excess margin. I am not suggesting we need 50 percent, because there will be excess cost. With the additional visitors, you may need to hire more security or another ticket-taker. The Springs Preserve is not performing at its maximum, yet you are already overstaffed due to the necessity that there is some minimum amount that you must have. My suggestion is, as we grow there will be a larger margin of excess money and we want to make sure that we are participating in a larger portion of the growth potential of \$175,000.

ASSEMBLYMAN AIZLEY:

I am a fan of the Springs Preserve, although I have not been to the Museum. What if visitors only want to go to the Museum? They will be paying an admission only to go to the Museum, but the State Museum will only be receiving 10 percent of that revenue. That seems unreasonable.

MS. WILCOX:

That is accurate, but you are going to be receiving 10 percent from every general admission ticket whether they will be visiting the Museum or not. The majority of people will be visiting the Museum based on past actions of our site. We are certainly willing to look at other options. We have discussed this option with Division of Museums Staff and they chose to take 10 percent of the \$9.95 rather than adding \$2 to the ticket price and taking a chance on receiving 100 percent of \$2, or the guarantee of 10 percent.

MS. ENG:

The LVVWD charges \$18.95 for nonresident adults and provides optional annual memberships, ranging from \$25 to \$1,000, which include unlimited admission into the Springs Preserve. Were these additional charges factored into the agreement? Should these be part of it? Do they want the annual memberships to allow access to the State Museum as well? How much more revenue could this potentially include?

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Ms. WILCOX:

We do have a membership program. The rates to join the membership program are basically the same as the State's. Our individual membership is \$25, the State's is \$35. Our family membership is \$60, the State's is \$50, and it goes up for big donor members in increments of \$100, \$250, \$500 and \$1,000. They have reciprocity, so if someone joins the Museum they would receive the same benefits as a member of the Springs Preserve. I do not know how many members the State Museum has, perhaps 200. We have 15,000 members. We aggressively market the memberships. There are benefits we offer to members which the State Museum could also offer.

CHAIR CONKLIN:

I will relinquish the chair to Senator Denis.

CHAIR DENIS:

How would those memberships work? If they have a membership to the Springs Preserve, will they have a membership to the State Museum as well?

MR. BARTON:

We have not worked that out yet, but our intention is to have full reciprocity. If you joined as a member of the Nevada State Museum, you would have access to the Springs Preserve campus, and vice versa.

CHAIR DENIS:

Were those additional charges factored into the agreement and would we be receiving revenue from that reciprocity?

MR. BARTON:

All membership charges go into the Trust Fund.

CHAIR DENIS:

Do you have a figure for the projected revenue from the memberships?

MR. BARTON:

We can get that for you.

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Ms. WILCOX:

In calculating all of this, LVVWD also had to take into consideration what our Foundation, Board of Trustees and Board of Directors would find reasonable and be comfortable with. Offering the in-kind services, as well as the guaranteed admission, is very significant. We are taking on the burden of additional staff which is considerable as well.

ASSEMBLYMAN CONKLIN:

You already have that staff. Unless you are actually increasing staff at a significant rate, sharing that burden is actually sharing the costs because you receive 90 percent of the ticket price. I am trying to figure out where that additional money will be going. You are saying that you use the excess money to hire the exact same number of people that you had prior to sharing 10 percent. As a businessman, I can tell you that is not very cost-effective.

Ms. WILCOX:

There will be times that we will have to hire temporary additional staff, depending on the event.

ASSEMBLYMAN CONKLIN:

We are not discussing events, we are discussing general admission ticket prices.

Ms. WILCOX:

Correct, but we do not have the temporary people in place to work the State Museum and perform attendant activities. We have temporary workers that we bring on when needed, so we would now need to bring them on Friday through Monday to help out with the Museum's needs. Normally, we would not need their services.

ASSEMBLYMAN CONKLIN:

Will Staff and the Director of the Department meet over the next few days? I want to be assured this is the right deal for the State. We are not in the business of negotiating, but I want to be comfortable that we are doing the right thing.

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ASSEMBLYMAN KIRNER:

I agree with Assemblyman Conklin. I think 10 percent is an unreasonable number. The State has contributed about \$56 million to build a nice facility and I would think that would draw a lot more than an additional 17,500 people. I believe Assemblyman Conklin is looking at this from an economic perspective, which makes sense. From a business perspective, this is not a good deal for the State, particularly when you include reciprocity and special events.

ASSEMBLYMAN AIZLEY:

I would like to suggest different types of tickets. They could sell tickets for admission to the Spring Preserve separately than to the State Museum. Then 10 percent of the admissions to the Springs Preserve could go to us and a different figure could be worked out for those tickets sold for the State Museum.

CHAIR DENIS:

Please provide the following additional information to Staff: supporting backup concerning admission figures, total visitation numbers, annual members and further details regarding in-kind services and how marketing valuations are calculated. That could possibly help us to understand your reasoning. We will also want a formal agreement to be drawn up. Can you work with Staff on those items?

Ms. WILCOX:

Yes, we can. Our intent is only to get the facility opened and if it is your choice not to, we understand what the constraints are fiscally.

CHAIR DENIS:

I think this could be a solution to opening the museum.

ASSEMBLYMAN CONKLIN:

I took offense to that comment. It is not our intent to not open the Museum, it is about the right deal for this State. We are just asking you to work with us until we are comfortable that we have the right deal.

Ms. WILCOX:

I apologize, that was not my intent.

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MR. FISCHER:

I would like to note that we would not be having this discussion if LVVWD had not come forward to look at various ways of opening the Museum. We need to negotiate the best deal for the State and I think they understand that, but the agreement has to be palatable to both parties. It is to everyone's benefit to open that facility. We would like to find a way to open for those in the community who are underserved.

CHAIR DENIS:

We will move on to B/A 101-1055.

FINANCE AND ADMINISTRATION

ADMINISTRATION

Administration – NSLA – Micrographics and Imaging — Budget Page
ADMIN-213 (Volume I)
Budget Account 101-1055

MS. ENG:

The *Executive Budget* recommends the privatization of Micrographics and Imaging (MIP) and the elimination of the budget account, which is currently funded by microfilming charges, imaging sales and lab sales. During the joint subcommittee hearing of the Department of Cultural Affairs, the director of the Department of Administration (DOA) indicated several State agencies expressed concerns regarding additional costs from using private sector services instead of MIP services. The director of Administration explained that MIP needed to remain open even though it was proposed for closure in the Governor's budget and DOA was looking at alternative methods to fund the account. The subcommittee chair requested the director of Administration to provide Staff with scenarios under consideration for the possible restoration of the program.

The Nevada State Library and Archives (NSLA) administrative services officer has indicated to staff that MIP has historically struggled with generating enough revenue to remain sustainable. Although MIP increased its processing prices effective at the beginning of FY 2010-2011, the Agency has indicated it is not currently charging the published rates. The current five largest users of MIP

services are the Department of Personnel (DOP), the Secretary of State's Office, the Division of Parole and Probation (P&P), the Controller's Office and the Gaming Control Board. Contracts with these five core-using agencies have been executed based on what the agencies could pay and not based on MIP's actual price?

The MIP's program officer I position, which is responsible for managing MIP's projects, has been vacant since May 5, 2010. The Agency has indicated that two positions in the Archives and Records management programs, funded by General Fund appropriations in B/A 101-1052, the state records manager and the assistant administrator of archives and records, have been performing the position duties of the program officer and project management for MIP. However, those two positions are in another budget account. It appears that true operating costs are not being reflected in the MIP account and also General Fund appropriations are supporting an enterprise program that is supposed to be self sustaining.

Administration – NSLA – Archives and Records — Budget Page ADMIN-199
(Volume I)
Budget Account 101-1052

The DOP is the largest State agency user of MIP. The MIP also maintains DOP's central records and provides its central payroll services. The MIP has been hosting a server and providing database management of personnel records free of charge. The DOP asked for an outside, private-sector price comparison with MIP. They found a vendor in Sacramento, Softfile, who will do this for \$45,506 per year, a savings of approximately \$5,600 per year as compared to services provided by MIP. However, that cost estimate does not include the value that MIP provides from hosting a server and providing database management for DOP. The private vendor services do not include the payroll compact disc service and DOP has indicated to Staff that it would need to continue to use the MIP services until December 2011 to allow time to develop and implement a private sector solution.

Both P&P and the Controller's Office have expressed concern about the closure of MIP. The P&P sent a memo dated March 3, 2011, explaining that it uses MIP to microfilm its closed case files annually and to place them in an electronic

database for Records Management. The P&P indicated that they looked at an outside company and the only private company in the area is located in Reno. However, this company hires ex-felons and does not conduct background checks, so P&P was concerned that they would not be able to use their services due to confidentiality. They also explained that their only other options would be to cease microfilming its records and store hard files with NSLA which is shortstaffed and limited on space. The P&P could also microfilm and archive its own documents, but they do not have the staff, equipment or software to do that. The Controller's Office has expressed concerns over confidentiality of State employee social security numbers and other personal and important information if they were to outsource microfilming.

Staff is concerned that either option, privatizing MIP, or restoring MIP, might require adjustments to the current amounts in the budgets of the five main State agencies using MIP services. It does not appear that an analysis has been completed and proper adjustments made in the using agencies' budgets to reflect the Governor's recommended closure of MIP. Since the director of Administration's indication of rescinding the recommendation and keeping MIP as a State agency, there have been several meetings about the possibility of restoring MIP, how to fund it and how to charge those five users; however, Staff has not received a budget amendment or further indication of the Administration's plan for MIP.

There are two items to discuss. First, the Budget Division should explain the Administration's current plan for MIP and whether a budget amendment will be provided to the Legislature. In addition, the Budget Division should specifically explain what is planned for the vacant program officer I position and the two General Fund positions in the Archives and Records account providing program management for MIP. The Agency should explain why the current prices have not been charged for MIP services and whether this contributed to the program's insolvency. Second, the Budget Division should explain, with the closure of MIP, whether the budget accounts for the five core user agencies need to be adjusted up or down for micrographics and imaging prices charged by the private sector. The Agency should explain what it plans to do with its equipment. Could the equipment be sold and what is its retail value?

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CHAIR DENIS:

We will start with the Budget Division. Please explain your plan for MIP and whether a budget amendment will be provided to the Legislature.

MS. NIELSEN:

We are pursuing the discontinuation of MIP. It will still remain closed; however, we are looking at providing staff, to be supervised by the archives manager in B/A 101-1052, to continue the services that cannot be outsourced.

CHAIR DENIS:

Will you have a budget amendment for that and, if so, when can we expect it?

MS. NIELSEN:

Yes. We are working with Daphne DeLeon, the NSLA Administrator, on the numbers and hope to have the budget amendment in by the end of the week.

CHAIR DENIS:

What is planned for the vacant program officer I position and the two General Fund positions in the Archives and Records account providing management for MIP?

MS. NIELSEN:

The vacant program officer I position will be eliminated. We are looking at the possibility of eliminating the information technology position which is currently filled. The duties of that position would be taken over by the Department of Information Technology or provided through a Master Services Agreement.

CHAIR DENIS:

Will the Agency explain why the current prices have not been charged for MIP services and whether this contributed to the program's insolvency?

DAPHNE DELEON (Administrator, Division of State Library and Archives,
Department of Cultural Affairs):

The primary reasons all of our contracts are not being priced according to our published price list is because we were given the approval to increase our prices by 25 percent in the middle of the biennium. The agencies that contracted with us had budgeted a set amount based on the previous price list. We negotiated

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to keep them at that price for the rest of the biennium, with the understanding that moving forward they would need to request funding that would reflect this updated price list.

ASSEMBLYMAN AIZLEY:

Do you anticipate that the 25 percent increase would cover the costs?

Ms. DELEON:

We did not. Reviewing MIP's prices, we found they had not been raised since 1995. That contributed to the fact that this enterprise fund has been having difficulty meeting its bottom line in the past. We tried to balance what we thought our agencies could bear and still produce services for them while charging what it actually costs us to produce those services.

ASSEMBLYMAN KIRNER:

Assuming you have looked at the agencies' budgets, have they budgeted to the level that you want them to?

Ms. NIELSEN:

We looked at how much had been budgeted for other State agencies versus the required revenue for MIP to continue. There was a large disparity between the two.

ASSEMBLYMAN KIRNER:

Is what they have budgeted enough revenue for MIP?

Ms. NIELSEN:

No. There is less than half of what we would have needed to continue MIP.

CHAIR DENIS:

With the closure of MIP, please explain whether the budget accounts for the five core-user agencies need to be adjusted up or down for the micrographics and imaging prices charged by the private sector.

Ms. NIELSEN:

Because of diminished staffing and the continuation of elements being reduced at MIP, it is not likely that they would be able to continue to service the

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five core-user agencies. Those whom MIP would not be able to service could go to an outside vendor.

CHAIR DENIS:

Will you need to adjust the budgets of those who will need to use a private vendor?

MS. NIELSEN:

We do not need to make the adjustment at this time, but we have not finalized which services we can continue to provide versus what would be eliminated. Some of the key programs are overflow for the Controller's Office and the Secretary of State due to their current staffing levels, so they may be able to outsource that.

CHAIR DENIS:

For the purpose of the budget, if they are going to need more, there will need to be an adjustment.

MS. NIELSEN:

We are working on that.

CHAIR DENIS:

I noticed that the only vendor you were able to find is located in Sacramento. Is there any company in Nevada who can do that?

MS. NIELSEN:

The DOP obtained that information, so I am unsure.

MS. DELEON:

All of these projects have additional costs. Those additional costs occur when State information is sent electronically outside the custody of the State, and it needs to be encrypted. That cost would need to be added to any price quote received from a private vendor.

CHAIR DENIS:

What will the Agency do with the equipment?

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Ms. DELEON:

The majority of the equipment in MIP's possession has been fully paid for and is projected to be used in the core services that we are proposing to continue in B/A 101-1052. One piece of equipment is on lease. At this point the State has paid over 75 percent of the lease and we propose that we continue to pay that lease based on the projects we would continue in the 2011-2013 biennium.

CHAIR DENIS:

Although we are still waiting on some information, is the Subcommittee leaning towards one choice over the other at this point?

ASSEMBLYMAN KIRNER:

There is still a lot of work to be done and I am not convinced that we have this under control.

CHAIR DENIS:

We still need to get some information from the Budget Division.

MR. COMBS:

We have some time before the Cultural Affairs budget is closed, so we should be able to get this worked out. My biggest concern is that this could have an impact on those five core-user agencies. We cannot hold up closing budgets for multiple agencies, so we need to know what the plan is this week, or as soon as possible. In addition to needing the Cultural Affairs budget amendment, we also need the plan for those agencies impacted by the decision.

CHAIR DENIS:

Would the Budget Division be able to get the budget adjustments for all the agencies to us by Friday, April 15, 2011?

Ms. NIELSEN:

I will relay the message to those necessary and we will try to get answers for you by the end of the week.

CHAIR DENIS:

That is a very important item. We have some time for the cultural affairs budget, but we are running out of time for those other budgets.

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We will move to the Commission on Tourism, B/A 225-1522.

ECONOMIC DEVELOPMENT AND TOURISM

Tourism – Tourism Development Fund – Budget Page
ECON DEV & TOURISM 29 (Volume II)
 Budget Account 225-1522

WAYNE THORLEY (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The first issue for the Subcommittee to consider is the Governor's recommended transfer of the Division of Museums and History (DMH) and the Nevada Arts Council (NAC) from the Department of Cultural Affairs to the Commission on Tourism, including 6 FTE positions beginning October 1, 2011. All budget accounts are recommended to remain separate except the DMH administration account, B/A 101-2941, which would be eliminated under this recommendation. In total, the Governor's recommendation would provide General Fund savings of approximately \$4.2 million over the 2011-2013 biennium.

Tourism – Museums & History – Budget Page ECON DEV & TOURISM-48
(Volume II)
 Budget Account 101-2941

The Governor recommends replacing 50 percent of the General Fund cost associated with the museums and programs within the Department of Cultural Affairs with room tax transfers from the Commission on Tourism. The following table breaks down how much each budget account will be receiving from room tax revenue.

| Account Number | Account Name | FY 2011-2012 | FY 2012-2013 | 2011-2013 Biennium |
|----------------|-----------------------------------|--------------|--------------|--------------------|
| 101-1350 | Lost City Museum (E-230) | \$113,728 | \$152,630 | \$266,358 |
| 101-2870 | Nevada Historical Society (E-231) | \$153,212 | \$207,141 | \$360,353 |

| Account Number | Account Name | FY 2011-2012 | FY 2012-2013 | 2011-2013 Biennium |
|----------------|---|--------------|--------------|--------------------|
| 101-2940 | Nevada State Museum Carson City (E-232) | \$386,825 | \$520,578 | \$907,403 |
| 101-2943 | Nevada State Museum Las Vegas (E-233) | \$392,493 | \$529,521 | \$922,014 |
| 101-2979 | Nevada Arts Council (E-235) | \$357,334 | \$487,491 | \$844,825 |
| 101-4216 | State Railroad Museums (E-234)* | \$185,901 | \$293,437 | \$479,338 |
| Total | \$1,589,493 | \$2,190,798 | \$3,780,291 | |

*A portion of room tax revenue has historically been transferred from the Commission on Tourism to the State Railroad Museums account B/A 101-4216. The amount of this transfer is not included in this table because it has been continued in the Commission on Tourism's Base Budget in the amount of \$116,280 in each year of the biennium.

Tourism – Museums & Hist – Lost City Museum — Budget Page
ECON DEV & TOURISM-53 (Volume II)
Budget Account 101-1350

E-230 Reduce Duplication of Effort — Page ECON DEV & TOURISM-55

Tourism – Museums & Hist – Nevada Historical Society — Budget Page ECON
DEV & TOURISM-59 (Volume II)
Budget Account 101-2870

E-231 Reduce Duplication of Effort — Page ECON DEV & TOURISM-60

Tourism – Museums & Hist – Nevada State Museum, CC — Budget Page ECON
DEV & TOURISM-64 (Volume II)
Budget Account 101-2940

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E-232 Reduce Duplication of Effort — Page ECON DEV & TOURISM-66

Tourism – Museums & Hist – Nevada State Museum, LV — Budget Page ECON
DEV & TOURISM-70 (Volume II)
Budget Account 101-2943

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As part of the proposed transfer, the Governor recommends relocating four positions from DMH, the division administrator, one administrative services officer and two administrative assistants, and two positions from the Department of Cultural Affairs Director's Office, one public information officer and one personnel analyst, to the Commission on Tourism account. The Governor recommends replacing approximately 50 percent of the General Fund costs that fund these positions with room tax revenue transfers. This would provide General Fund savings of \$467,468 over the 2011-2013 biennium.

In response to questions from the subcommittee during the budget hearing, the Commission on Tourism indicated that the six positions recommended for transfer would retain their previous responsibilities. However, the Agency also indicated there would be opportunities to cross-train and develop other efficiencies. Overall, the Governor's recommendation of the merger and the room tax transfer would offset General Fund appropriations by about \$4.2 million over the 2011-2013 biennium. Considering that room tax revenue transfers are being provided by reserve reductions in the Commission on

Tourism account, there is concern that funding might not be available over the long run to support these room tax revenue transfers. Staff notes in the current 2009-2011 biennium, the Commission on Tourism is making a direct transfer of about \$5.6 million in room tax revenue to the General Fund. That transfer is being eliminated and \$4.2 million in room tax revenue is proposed to be transferred to the various museums and programs to fund their operations and personnel expenses.

The Commission on Tourism's rationale behind this proposed merger comes from traditionally promoting cultural tourism in the museums within the State. They will continue to do so. The Agency indicates that this recommended merger would enhance its mission through increased communication and collaboration with museums and NAC. If the Governor's recommendation is not approved, the Agency has indicated that it would use the additional \$4.2 million of room tax revenue to fund additional advertising, grants and increased funding for the tourism development program. At the subcommittee budget hearing, the Agency indicated that the room tax revenue currently used to fund advertising generated approximately \$110 million in tax revenue for the State in FY 2009-2010.

Staff notes that the General Fund savings recommended in the *Executive Budget* is purely a result of General Fund appropriations in the DMH and NAC accounts being replaced with room tax revenue transfers. If the Subcommittee does not wish to approve the merger, General Fund savings could still be realized by the room tax transfers. As the Commission on Tourism has historically provided a transfer to the State Railroad Museums and the Division of State Parks, the Subcommittee could approve something similar without approving this merger.

The question for the Subcommittee is whether this recommendation is a good use of room tax revenue and whether to approve the Governor's recommendation to transfer DMH and NAC, including 6 FTE positions, to the Commission on Tourism.

CHAIR DENIS:

First, is this a good merger, does it accomplish what it needs to and is there a benefit here? Second, do we want to use the room tax revenue? There are a

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couple of options if we do not. It could be used for advertising, etc., or be put in the General Fund for other things.

SENATOR KIECKHEFER:

There is a nexus for this. The museums have a clear place in the Commission on Tourism and the funding mechanism seems to be consistent with the mission.

ASSEMBLYMAN KIRNER:

I concur.

CHAIR DENIS:

There does not appear to be any opposition to this merger. It seems to make sense. The recommendation would be to transfer the DMH and NAC, including the 6 FTE positions, from the Department of Cultural Affairs to the Commission on Tourism. This would provide General Fund savings of about \$4.2 million over the 2011-2013 biennium. It would require the passage of Senate Bill 424 which creates the Department of Tourism and Cultural Affairs, and we have not heard that bill yet.

SENATE BILL 424: Creates the Department of Tourism and Cultural Affairs.
(BDR 18-1163)

MR. THORLEY:

The Nevada Commission on Tourism is primarily funded by a 0.375 share of the 1 percent State room tax. The actual room tax revenue collected for FY 2009-2010 was \$13,842,014. In FY 2010-2011 the budgeted amount is \$13,943,231. The Governor's recommendation for FY 2011-2012 is \$14,780,644 and in FY 2012-2013 is \$15,453,043 for a total of \$30,233,687 in the 2011-2013 biennium.

The Commission on Tourism received about \$13.8 million in room tax revenue in FY 2009-2010. At the subcommittee budget hearing on February 23, 2011, the Agency indicated that it is projecting about \$14.3 million in room tax revenue in FY 2010-2011, a 3.1 percent increase from FY 2009-2010 receipts. The Agency also indicated that it is projecting a 2.9 percent growth in FY 2011-2012 and 3.7 percent in FY 2012-2013, which would lead to projected room tax revenue of approximately \$14.7 million in

FY 2011-2012 and about \$15.2 million in FY 2012-2013. However, this past week, the Agency has indicated to Staff that the room tax revenue projections for the current fiscal year have been projected upward to about \$14.7 million. Using the same growth rate as before, this new projection would revise estimates for the 2011-2013 biennium to \$15.1 million in FY 2011-2012 and about \$15.6 million in FY 2012-2013.

Staff would note that the two projections made by the Agency recently straddle the recommendations in the *Executive Budget*. The Commission on Tourism has indicated that it is currently working on updating its room tax revenue projections for the 2011-2013 biennium. The Subcommittee may wish to have a representative from the Agency discuss those projections.

STEVE WOODBURY (Chief Deputy Director, Division of Tourism, Commission on Tourism):

Updating the forecasted room tax revenue on the basis of actual collections is an ongoing process. As of today, we are projecting fairly close to what Mr. Thorley suggested. In FY 2011-2012 the projection is about \$14.9 million and in FY 2012-2013 it is about \$15.54 million. We will be working on those figures in the upcoming weeks for the Economic Forum and would be happy to provide them to the Subcommittee.

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CHAIR DENIS:

That will give us what we need. We will get those updated figures back to the committees for closings. Seeing no further business, we will adjourn at 10:13 a.m.

RESPECTFULLY SUBMITTED:

Madison Piazza,
Committee Secretary

APPROVED BY:

Senator Moises (Mo) Denis, Chair

DATE: _____

Assemblyman Marcus L. Conklin, Chair

DATE: _____

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| <u>EXHIBITS</u> | | | |
|-----------------|---------|------------------|-------------------|
| Bill | Exhibit | Witness / Agency | Description |
| | A | | Agenda |
| | B | | Attendance Roster |