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

**Seventy-Seventh Session
March 5, 2013**

A joint meeting of the Assembly Committee on Ways and Means' Subcommittee on General Government and the Senate Committee on Finance's Subcommittee on General Government was called to order by Chair Lucy Flores at 8:03 a.m. on Tuesday, March 5, 2013, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at nelis.leg.state.nv.us/77th2013. 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).

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblywoman Lucy Flores, Chair
Assemblyman Paul Aizley, Vice Chair
Assemblyman Paul Anderson
Assemblyman Andy Eisen
Assemblyman Cresent Hardy
Assemblyman Joseph M. Hogan

SENATE COMMITTEE MEMBERS PRESENT:

Senator Joyce Woodhouse, Chair
Senator Moises (Mo) Denis
Senator Michael Roberson

STAFF MEMBERS PRESENT:

Cindy Jones, Assembly Fiscal Analyst
Michael J. Chapman, Principal Deputy Fiscal Analyst
Adam Drost, Program Analyst
Jennifer Gamroth, Program Analyst
Carol Thomsen, Committee Secretary
Cynthia Wyett, Committee Assistant

Chair Flores opened the hearing for budget account (BA) 1340 and invited representatives to come forward and address the Subcommittees.

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE
BUDGET AND PLANNING (101-1340)
BUDGET PAGE ADMIN–10

Jeff Mohlenkamp, Director, Department of Administration, introduced himself and Mike Torvinen, Deputy Director, to the Subcommittees. Mr. Mohlenkamp stated that upon the recommendation of the Governor, and upon approval by the 2011 Legislature, several entities were consolidated within the Department of Administration. The size of the Department had doubled and now included: (1) the Division of Human Resource Management [formerly the Department of Personnel]; (2) the Division of Enterprise Information Technology Services [formerly the Department of Information Technology]; (3) the Division of State Library and Archives [formerly the Nevada State Library and Archives]; and (4) the State Public Works Division [formerly the State Public Works Board].

Mr. Mohlenkamp stated that the consolidation of those entities greatly expanded the scope of the Department of Administration. He believed that the integration had been very successful and had created budget reductions. He noted that positions had been added to the Director's Office and one additional position was being requested in the 2013-2015 budget request for the Budget Division. The consolidation had achieved the anticipated budget savings while bringing several internal service entities together under one umbrella to better serve other state agencies.

Mr. Mohlenkamp said the Department focused on customer service to other state agencies as its main goal. The Department filled a dual role in facilitating the business model for agencies and in providing regulatory oversight. Mr. Mohlenkamp indicated that managing those two roles, which were not always complementary, was a constant challenge. The Department helped state agencies conduct business in an efficient and effective manner, but it also ensured that agencies adhered to requirements within the law, adhered to financial principles, and adhered to appropriate enterprise technology. Mr. Mohlenkamp said as the Subcommittees reviewed the budget, they should be cognizant of the dual role and challenges faced by the Department.

Mr. Mohlenkamp stated that the Department was making strides with the Priorities and Performance Based Budget (PPBB), but the project was far from complete. He explained that meaningful progress had been made in that project without requesting additional resources. The Budget Division had also automated the budget-closing process, again without requesting additional resources.

Mr. Mohlenkamp explained that the Motor Pool Division had consolidated the state fleet, purchased the Las Vegas office, and automated the vehicle purchase ordering system. The Division of State Library and Archives had automated its processes and more data was becoming electronic rather than paper. Smaller information technology entities throughout the state had also consolidated with the Division of Enterprise Information Technology Services (EITS). The building maintenance processes had been automated for the State Public Works Division, and a vast majority of processes had been automated and streamlined within the Department.

Mr. Mohlenkamp stated that the Hearings Division was one of the most efficient divisions in the state. The model for the Victims of Crime Program was extremely efficient and negotiated services for victims of crime.

In conclusion, Mr. Mohlenkamp thanked the Subcommittees and indicated that Mr. Torvinen would present the budget for the Budget Division.

Mike Torvinen, Deputy Director, Department of Administration, referred to page 2 of Exhibit C, "Department of Administration, Budget Division, (Director's Office), Joint Subcommittee on General Government, Budget Hearing March 5, 2013*,*" which contained the mission statement for the Department. The Department encompassed a variety of activities and oversaw the financial management and operations of state agencies including human resources, information technology, building construction and maintenance, purchasing and contracting, state vehicle management, and risk management. In addition, the Department oversaw the Division of State Library and Archives, administrative hearings and appeals, and the Victims of Crime Program. Mr. Torvinen said the Department also provided support to other state agencies within the financial realm.

Continuing, Mr. Torvinen stated that page 3 of the exhibit outlined the functions of the Department. He would provide information to the Subcommittees about the functions of the Budget Division; the Director's Office, budget and planning budget account; and the Office of Grant Procurement, Coordination and Management.

Page 4 of Exhibit C depicted the current organizational chart for the Department of Administration after the 2011 reorganization, said Mr. Torvinen, and pages 5, 6, and 7 contained the activities of the Director's Office, which included:

- Executive Leadership and Oversight: provided guidance and direction to the divisions within the Department to advance the Department's strategic priorities and provide effective and efficient statewide support services.
- Statewide Budget Development, Management, and Control: provided sound fiscal leadership and policy direction to state government to meet state strategic priorities and agency missions.
- Grants Management: provided technical assistance and information to state agencies in securing grant funding, as described in Exhibit D, "Biennial Report 2012-2013, Office of Grant Procurement, Coordination and Management."
- Research and Planning: provided information and special project support to state leadership and state entities. The main function was revenue projections through the Economic Forum process.
- General Administrative Services: provided administrative support for agency accounting functions and provided staff support for the State Board of Examiners.

- Aid to Community and Employee Development Organizations: provided funding to the Governor's Advisory Council on Education Relating to the Holocaust; Nevada Volunteers, the state commission on national and community service; the National Council of Juvenile and Family Court Judges; the National Judicial College; and the state's Merit Award Board.

Mr. Torvinen stated that page 8 of Exhibit C contained information about the research and planning unit within the Director's Office. There were 1.51 full-time-equivalent (FTE) positions in that Unit that provided economic forecasting and revenue projections for the Economic Forum. That unit also provided focused research for Capital Improvement Project (CIP) financing options, property tax limitations and options, national survey responses, and strategic planning guidance to various state agencies.

Page 9 of Exhibit C, said Mr. Torvinen, described the Office of Grant Procurement, Coordination and Management within the Director's Office. The Office was established by Senate Bill No. 233 of the 76th Session (2011) and included 3 full-time-equivalent (FTE) positions. Mr. Torvinen stated that over the current biennium, staff had generated $5 in grant awards for every $1 the state had invested into the Office in its first year of operation, for a 5:1 productivity ratio. Mr. Torvinen indicated that many grant opportunities had been identified and forwarded to various state agencies for pursuit of funding. The Office also facilitated free or low-cost training in grants-writing and procurement. Mr. Torvinen believed that the Office had saved other agencies approximately $64,000 in registration, time, and travel costs for persons attending the training.

Page 10 of Exhibit C, said Mr. Torvinen, showed the budget and planning highlights for budget account (BA) 1340. The budget included the standard decision units regarding employee wage adjustments, equipment replacement requests, and cost allocation. Mr. Torvinen indicated that decision unit Enhancement (E) 225 requested additional resources equivalent to a 0.5 full-time-equivalent (FTE) position for in-house programming work and to reduce backlogs. Currently, across all systems within the Department—the Nevada Executive Budget System (NEBS); the Contract Entry and Tracking System (CETS); and the Nevada Employee Action and Timekeeping System (NEATS)—over 800 needed system modifications had been identified. Mr. Torvinen said the Director's Office simply did not have the staff to address those modifications, and decision unit E-225 would assist with that backlog and make the systems more productive and efficient.

Chair Flores said there were several decision units in BA 1340 that the Subcommittees would like to discuss and those included the integration of the Priorities and Performance Based Budget (PPBB) with the Budget Analysis System of Nevada (BASN), the Advantage Financial System, and the systems within the Nevada System of Higher Education (NSHE). Chair Flores indicated that the Subcommittees would like to discuss the long-term plan for the systems and also discuss whether the Department could ensure that while continuing with the PPBB, there would be some thought about how the various systems would be integrated.

It was Chair Flores' understanding that there had been some integration problems with BASN, which was used by the Fiscal Analysis Division, Legislative Counsel Bureau (LCB), to prepare the LCB's agency requested budget and the legislatively approved state budget. With additional integration as the PPBB was developed, Chair Flores hoped that the connectivity of the various systems would not be affected. It appeared that the decision was whether to incorporate the performance-based budgeting concept, which moved away from line-item budgeting.

Mr. Torvinen said the decision units in BA 1340 addressed the long-term plan for integration of the PPBB. The Department had been meeting with all entities involved to discuss integration of the various systems. He emphasized that the decision units were designed to move the integration process forward.

Chair Flores reminded the Subcommittees that it had recently discussed funding of approximately $300,000 for a major study of the Advantage Financial System for the Office of the State Controller regarding how that Office would continue to develop the system for greater efficiency. Now the Subcommittees were reviewing another request for funding to move forward with the PPBB.

Jeff Mohlenkamp, Director, Department of Administration, said the Department realized that many investments needed to be made in the overall information technology arena within the state. The Executive Budget requested a significant information technology investment for state government, whether it was the State Gaming Control Board, the Department of Public Safety, or the Budget Division, among others.

Mr. Mohlenkamp commented that for the last several years, the state had become more and more reliant on information technology; however, because of the economic downturn, information technology expenditures had been reduced in agency budgets, which had become problematic. The Department hoped to begin reversing that reduction with the current budget. The information technology arena was changing so rapidly that there was not a "finish line," but rather an incremental investment that would be made over time.

Mr. Mohlenkamp said the $350,000 study of the Advantage Financial System for the Controller's Office was the first step toward replacement of the state's accounting system that would cost several million dollars. That system had to be replaced, but the time frame was unknown and would be dependent upon resources.

Mr. Mohlenkamp emphasized that the state needed to invest in information technology, which had been recognized by the 2011 Legislature and the Department of Administration, along with the need to review the current budget structure for improvement. He indicated that Assembly Bill No. 248 of the 76th Session (2011) directed the Department to move forward with the initiative. Mr. Mohlenkamp said he had met with Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff several times to discuss how to move forward with the Priorities and Performance Based Budget (PPBB), and he emphasized that none of the integration had been completed in a vacuum.

When the Department determined that it would continue to move forward with the PPBB, said Mr. Mohlenkamp, it had invited LCB Fiscal Analysis Division staff to participate every step of the way and to engage in the process, which they had done to some degree. The Department tried to advance the PPBB by following the spirit of A.B. No. 248, which was fairly broad in its structure. Obviously, said Mr. Mohlenkamp, policy decisions would be made by the Governor and the Legislature, but the Department needed a structure that was conducive to those decisions.

Mr. Mohlenkamp stated that the budget requested additional resources in the form of a position, additional in-house programming, and additional costs for the vendor to move the PPBB forward. He pointed out that the Department and LCB used the same vendor, Aeris Enterprises, that would make the changes in both NEBS and BASN. The coding being done for NEBS would be transferrable to BASN for the LCB. Mr. Mohlenkamp noted that there would be some cost associated with that coding for the LCB, but it should not be as expensive because the legwork had been completed for NEBS.

Chair Flores asked whether the Department had a plan that described the implementation phases of the PPBB, and how each phase would coordinate with the various systems. She also wondered whether the plan included the financial effect for the various systems.

Mr. Mohlenkamp said the Budget Division had an agreement with LCB that the two systems would communicate, so that when the Division transferred a budget to LCB, the BASN system could accept the data for management by LCB staff in an effective manner. With regard to line-item budgets, the ability of the systems to communicate had always been in place and would continue to function in the same manner. There was an electronic transfer of budget information, which would be fully available and visible for LCB use and management.

Mr. Mohlenkamp explained that the LCB Fiscal Analysis Division chose not to include the PPBB module within BASN for the upcoming biennium, possibly because the LCB did not have funding for the module. He noted that the Department had installed the module without requesting additional funding. The transferability of information between NEBS and BASN should not be a problem because the Department and LCB used the same vendor, and that vendor had assured the Department that the information would be transferable. Mr. Mohlenkamp emphasized that the transferability of the performance-based budgeting process should be seamless, but not without additional cost.

Mr. Mohlenkamp said the Department currently experienced problems with the transfer of budget data from the Nevada System of Higher Education (NSHE) to the Nevada Executive Budget System (NEBS). He explained that NSHE had transferred current budget data to the Department by the September 2, 2012, deadline, but it had taken Department staff five weeks to integrate that data to a useable format within NEBS. Mr. Mohlenkamp said he had discussed the problems with NSHE, and the consensus was that changes were needed, whether that meant changes to NSHE's system, or whether it meant bringing NSHE into the Department's system to input data directly into NEBS. Mr. Mohlenkamp said there would undoubtedly be many further discussions about the resolution of that problem. Mr. Mohlenkamp stated that NSHE's system was configured as an activity-based budget, so moving to the PPBB would be easier for NSHE than other state agencies.

Chair Flores stated there were many innovative ideas, and she had worked on the legislation that promoted the Priorities and Performance Based Budget (PPBB), but she would like to see a concrete plan moving forward for the next eight to ten years or longer, to fully apply performance-based budgeting across all departments in the state. She agreed that A.B. No. 248 provided much latitude for implementing the PPBB, but the Subcommittees would like to review a plan that included the costs for integrating the various systems.

Mr. Mohlenkamp understood the misgivings of the Subcommittees, lacking a complete roadmap that depicted the costs and time frame for implementation of the Priorities and Performance Based Budget (PPBB); however, he believed that the Department had gone as far as it could without additional resources. Therefore, if the Legislature asked the Department to continue to develop and improve the PPBB process, it would need additional resources. Mr. Mohlenkamp believed the Department was asking for a fairly limited level of resources considering the work its staff had completed to date without additional resources. He had dedicated approximately 50 percent of his time to moving the PPBB forward, which distracted from his ability to manage the Department.

The PPBB was not an insignificant process, but rather was a huge undertaking, and Mr. Mohlenkamp said he was asking for nominal resources—one position and additional resources to complete the programming. Mr. Mohlenkamp believed the Department, the Governor, and the Legislature should work together to develop a budgeting structure that could be relied upon, and one that would be conducive to making good decisions. Mr. Mohlenkamp asked that the Legislature not restrict resources until a full business plan had been developed because that would delay the PPBB process even further. He noted that when the request for proposal (RFP) to replace the system was released in two to four years, the Department should know what was needed in the budgeting context. That planning had to be accomplished first to construct the RFP for the replacement of the state's accounting system.

Mr. Mohlenkamp did not believe the Department should wait, and he hoped that the Subcommittees would consider the fairly nominal request for resources to move forward with the PPBB process. The Department would engage with legislators, Legislative Counsel Bureau (LCB) staff, and any other parties to ensure that the process was completed in a cohesive manner.

Chair Flores thanked Mr. Mohlenkamp for his comments and asked Mr. Torvinen to continue his budget presentation.

Mike Torvinen, Deputy Director, Department of Administration, stated that the three enhancement (E) decision units E-225, E-245, and E-250, were the essence of moving forward with the PPBB. If the Department had any hope of developing a detailed plan, it would need the PPBB staff specialist [budget analyst 5] position requested in decision unit E-250.

Chair Flores asked why the vendor, Aeris Enterprises, could not provide some of the needed services since it worked on both the Nevada Executive Budget System (NEBS) and the Budget Analysis System of Nevada (BASN).

Mr. Torvinen stated that decision unit E-245 (Exhibit C, page 11) requested additional resources for the Aeris contract. Because Aeris Enterprises was the vendor for both the Department and the LCB, it provided a very important link between the systems. Decision unit E-245 requested additional funds for contract programing for the NEBS and to assist with the more than 800 system modifications that had to be completed. Mr. Torvinen said the request for additional funds would also allow Aeris to participate in a more robust manner and address problems that might arise in linking the existing systems and transitioning to performance-based budgeting.

Decision unit E-250 (Exhibit C, page 12) requested funding for a PPBB staff specialist position, said Mr. Torvinen. That position would serve as the project manager and would develop the detailed written plan for adopting the performance-based budget process.

Chair Flores wondered, once the PPBB project had been completed, whether the funding for the PPBB staff specialist position requested in decision unit E-250 would be continued in the Department's budget. She noted that the Budget Division currently assigned a budget analyst 5 position to serve as the coordinator of NEBS activities, and she wondered why that position could not perform the additional duties relative to the PPBB.

Mr. Torvinen explained that the duties of the existing coordinator of NEBS activities would not change; that position was involved in many of the detailed processes within NEBS and worked directly with the programmers. The newly requested position would focus on implementation of the PPBB.

Jeff Mohlenkamp, Director, Department of Administration, stated that the requested position would work with the various agency directors and administrators and become expert in performance-based budgeting. The request was for a person who could coordinate well with high-level staff and work on the overall structure. The position would be the point person for the Budget Division in the continued coordination of the architecture of the PPBB. He explained that as the Director of the Department, it was difficult for him to act as the point person.

Chair Flores asked whether the position would also oversee and coordinate technology efforts with Aeris Enterprises, as depicted in decision unit E-245. She asked whether that would be the person who ensured that changes made to NEBS would not affect the functionality as the Department moved forward with PPBB integration with the BASN and the Advantage Financial System.

Mr. Mohlenkamp explained that there was a current administrator for the NEBS who was tasked with managing the system. The goal and mission of the administrator was to ensure that the PPBB was integrated properly in NEBS and that transitional data was transferred to BASN. There had been some missteps along the way for the current budget, but Mr. Mohlenkamp emphasized that they were minor in nature and not intentional on the part of the Department.

Assemblyman Eisen agreed that the PPBB was a huge project, but he believed a plan should be available that would indicate the status of the project in six months to a year. He also wondered about the time frame for additional planning that depicted the outcome after two or four years. He asked how the positions that were being requested would contribute to the development of such a plan.

Mr. Mohlenkamp said he could not predict the timing for the project; however, the full transition from the current budget structure to a new budget structure would take at least four to six years. The full transition would require a new state accounting system because the current accounting system was not capable of running parallel systems and could not continue to run the old system while the new system was integrated.

Mr. Mohlenkamp believed that meaningful strides could be made going forward. He emphasized that all entities had to work together; to date, the PPBB process had been largely undertaken by the Executive Branch. The Department had engaged the Legislature and the Legislative Counsel Bureau in discussions, but since the passage of A.B. No. 248 there had not been much direct engagement by other entities in working on the PPBB architecture. Mr. Mohlenkamp believed it was necessary to exchange ideas and concepts. He said the answer to the question of when a plan would be available would be when all entities were engaged in the process and working together.

Mr. Mohlenkamp said the Department planned to establish a pilot program for the 2015 Legislature where budgets from selected departments and divisions would be completely constructed in the PPBB format. Information from that pilot program should be available for review by the 2017 Legislature. However, said Mr. Mohlenkamp, if the Legislature failed to provide the necessary resources, the project would stall and would not move forward.

Mr. Mohlenkamp indicated that the Department's current staff was assuming too many duties, and the budget requested nominal resources to help advance the PPBB process. He pointed out that there would also be future budget requests, but at the present time he could not predict the amounts that would be requested.

Chair Flores asked what changes legislators could expect in The Executive Budget for the 2015-2017 biennium and what the ramifications to the PPBB initiative would be if the current enhancement decision units were not approved.

Mr. Mohlenkamp stated that the concept was to continue to improve the PPBB architecture to simplify the process and make it more user-friendly. The pilot program would also provide proof of concept because the idea was still very abstract for some persons. Mr. Mohlenkamp said the pilot program would look for agency budgets that were ready to make the transition to PPBB, but he would talk to agency directors prior to selecting the agencies for the pilot project. The Department would look for agencies that had better-defined activities and easily identified performance measures.

Mr. Mohlenkamp said he would talk with Michael J. Willden, Director, Department of Health and Human Services (DHHS), to determine whether there was a division within DHHS that he felt was ready to commence with the PPBB budget process. He would also talk with the director of the State Department of Conservation and Natural Resources to ascertain whether there was a division that was ready to participate in the pilot program.

Mr. Mohlenkamp stated that the Department would then provide the Legislature with a performance-based model that depicted approximately four PPBB budgets. The Department would continue to provide the background data that was normally received by legislators. The goal was to integrate the two budgeting methods so the process would work more cohesively. The funding requested in the current budget would help integrate the systems so the PPBB budget preparation would be seamless for the agencies.

Assemblyman Aizley believed that the state should invest in three areas: state employees; the teachers within the system; and the professors and faculty members at the universities and colleges. He opined that they were the ones who had been paying for the changes. Everyone asked the Legislature for more resources, and the question should be where those resources were coming from. There appeared to be no plan to fund the additional resources. The performance-based budgeting process would not work unless new money was added to the system. Without new money, the only way a well-performing person could be rewarded would be to take away from a poor-performing person, which would make those persons' performance even worse. Mr. Aizley said the state needed more revenue, and all of the discussions failed to mention where the revenue would come from. He opined that state employees, teachers, and professors had been paying for the bad economy even though the bad economy was not their fault.

Chair Flores wondered, once the pilot program was complete, whether the budget would be a purely performance-based model, or whether budget line items would be included. She wondered about the amount of budget detail that would be available.

Mike Torvinen, Deputy Director, Department of Administration, stated that the line-item budget information would continue to be available. The pilot program would be a building block toward future performance-based budgets. That was the reason the additional programming had been requested to code the information. Mr. Torvinen said PPBB budgets could not be constructed without some detailed line items, perhaps not as many as included in the current budget, but there would be some detail in performance-based budgets.

With no further questions or testimony, Chair Flores closed the hearing on budget account (BA) 1340, and opened the hearing on BA 1301.

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
DIRECTOR'S OFFICE
SPECIAL APPROPRIATIONS (101-1301)
BUDGET PAGE ADMIN–18

Mike Torvinen, Deputy Director, Department of Administration, stated that budget account (BA) 1301 contained two appropriations: (1) the Governor's Advisory Council on Education Relating to the Holocaust at $50,000 per year; and (2) Nevada Volunteers, which worked through the federal AmeriCorps program and was partially funded by federal matching funds.

Mr. Torvinen said there were representatives present who would like to speak to the Subcommittees about the details of the two appropriations.

Stacy Woodbury introduced herself to the Subcommittees and stated she was a paid lobbyist, but would speak today as Chair of Nevada Volunteers, the Governor's commission on service. She introduced Shawn Lecker-Pomaville, Chief Executive Officer, Nevada Volunteers, to the Subcommittees.

Ms. Woodbury referred to Exhibit E, "Nevada Volunteers, the Governor's Commission on Service," which outlined the organization and funding sources. Ms. Woodbury explained that Nevada Volunteers was a nonprofit, 501(c)(3) organization that served as the Governor's commission to administer the AmeriCorps program throughout Nevada and as the state's authority for volunteer service information. In its role as the state's authority for volunteer service, said Ms. Woodbury, Nevada Volunteers strived to create an ethic of service among Nevadans. Nevada Volunteers offered a volunteer match service on its website where persons could research volunteer opportunities within their communities.

Ms. Woodbury indicated that Nevada Volunteers also administered the Governor's Points of Light Awards for volunteerism each year. Ms. Woodbury explained that AmeriCorps was established in 1993 and reauthorized in 2009 as the Edward M. Kennedy Serve America Act. In exchange for a small living stipend, AmeriCorps members received valuable on-the-job skills, earned money for college, and invested between 300 to 1,700 hours of their time and experience back into Nevada's communities.

Ms. Woodbury referred to Exhibit E, which indicated that federal funding of $2 million had been received for AmeriCorps for program year ending October 2012. She stated that 308 federally funded AmeriCorps members recruited an additional 3,579 volunteers who donated more than 31,173 hours of community service. The dollar equivalent of that volunteer time was valued at $679,276. The 308 AmeriCorps members earned approximately $900,000 in educational awards, which would primarily be used within the Nevada System of Higher Education. Nonprofit partners also provided their own matching funds of $2 million, said Ms. Woodbury, so the investment in Nevada communities was $5,579,276, for an initial investment cost to Nevada taxpayers of $150,000.

According to Ms. Woodbury, the federal government required each state to have a state commission on service, which was met by Nevada Volunteers. The board members for the Governor's Commission on Service were appointed by the Governor, and Nevada Volunteers accepted the federal funding for disbursement on behalf of the Governor. Ms. Woodbury indicated that $200,000 per year was received in federal funding to support the Governor's Commission on Service, but that funding required a state match. Over the past four years, the federal government had granted Nevada a hardship waiver that reduced the state match from $200,000 to $75,000 per year.

Ms. Woodbury indicated that Nevada Volunteers had been notified by the federal government in January 2013 that no further hardship waivers would be granted, and the state match would once again be $200,000.

Chair Flores asked whether the state match was $100,000 per year for a total of $200,000 over the biennium. Ms. Woodbury replied that the requirement for state matching funds was $200,000 per year, for a total of $400,000 over the biennium. The Executive Budget included a recommendation for $150,000 per year in state matching funds and would rely on Nevada Volunteers to raise the additional $50,000 per year through its main fundraiser, which was the Governor's Points of Light Awards ceremony.

Ms. Woodbury noted that at the hardship match level of $75,000 per year for the program year ending October 2012, Nevada taxpayers received a return on investment of more than $70 per dollar spent. At the increased match level of $150,000, federal funds would still be leveraged at $34 per dollar spent.

Chair Flores stated that The Executive Budget did not include sufficient justification for the increase in state matching funds from $75,000 to $150,000. She asked whether Ms. Woodbury could provide additional detail about the AmeriCorps program, such as the grants that had been awarded.

Ms. Woodbury referred to page 2 of Exhibit E, which depicted the accomplishments of AmeriCorps members. It also depicted the partners that had received grants from Nevada Volunteers through federal funding:

- The Children's Cabinet
- Nevada Outdoor School
- Nevada Conservation Corps
- United Way of Southern Nevada
- Parasol Tahoe Community Foundation
- Teach for America

Ms. Woodbury stated that AmeriCorps would hire 308 volunteers to go out into the community.

Chair Flores asked how volunteers could be "hired." Ms. Woodbury explained that the Edward M. Kennedy Serve America Act was created by politicians who had experienced volunteerism while campaigning, so the idea behind the act was to structure it much like a political campaign. A political campaign would hire a manager and that manager would, in turn, develop a strategy for the various programs, determine the outreach that had to be accomplished, and would recruit and train volunteers to accomplish those tasks. The act envisioned the same type of structure in the community.

Ms. Woodbury stated that AmeriCorps funded and trained members as part of its nonprofit organization. Those members then recruited and trained additional volunteers, deployed those volunteers, supervised their activities, and helped to expand that network. When Nevada Volunteers talked about a return on investment, it meant that the 308 AmeriCorps member positions, which were paid approximately $900 per month as a stipend for the year of service, would serve between 300 and 1,700 hours over the year. When the year of service had been completed, the federal government would fund an educational award, which was the equivalent of a Pell Grant for undergraduate students, for use by the volunteer members in the repayment of student loans or for continuing education.

Ms. Woodbury noted that many of the volunteers would seek employment with nonprofit organizations where they had served after completion of the AmeriCorps program. The program provided job training, funding for higher education, and expanded services in the community. Ms. Woodbury explained that Nevada Volunteers was simply the pass-through mechanism that received federal funding, reviewed grant applications, and awarded the funding.

Chair Flores said it appeared that for the $200,000 in matching state funds, the federal government matched that amount with $2,000,000. Ms. Woodbury stated that was correct.

Chair Flores asked how organizations were chosen for grant funding. She noted that the Children's Cabinet was a very popular organization in northern Nevada.

Ms. Woodbury said Nevada Volunteers had to comply with federal mandates in its grant application process. Nevada Volunteers issued a notice of funding opportunity, and nonprofit organizations would competitively bid and submit applications for that funding. The applications were reviewed by a grant approval team, awards would then be selected, and funding granted.

Chair Flores thanked Ms. Woodbury for her testimony. The Chair asked whether there was a representative present from the Governor's Advisory Council on Education Relating to the Holocaust who would like to offer testimony.

Doug Unger, Chair, Governor's Advisory Council on Education Relating to the Holocaust, introduced himself to the Subcommittees. He referenced the information that had been provided concerning the operation of the Council, Exhibit F, "Governor's Advisory Council on Education Relating to the Holocaust, Report of Activities for FY 2011/2012."

Mr. Unger stated that the Holocaust involved the extermination of 11 million people including 5 million non-Jews. The Council was established in 1989 after representatives approached the state and requested that it match private funding for teacher training about the Holocaust in public school systems throughout the state. Mr. Unger noted that private funding had been very successful over the past 20 to 30 years in Las Vegas, and with the aid of the state, the Council today was a wonderful organization with a tremendous staff in the Washoe County School District and the Clark County School District, who also conducted rural workshops.

Mr. Unger said the Council was requesting additional funding to continue to maintain and increase its teacher-training programs. The Council determined that the current program educated approximately 500 teachers per year, but there was a great deal yet to be done. The first step in teaching lessons of the Holocaust was to teach the teachers. The request for additional funding would provide training to additional teachers to continue the Council's educational process, which had been very successful throughout the state.

Chair Flores stated that the Subcommittees had not received sufficient justification for the requested funding. She asked about the effectiveness of the program in the past. The Chair noted that Exhibit F indicated 500 teachers had participated in the teacher-training program, but she wondered about the time frame for that training, and what effect the additional funding would have on the Council's programs.

In response to Chair Flores' inquiry, Brian Boothe, Project Facilitator, K-12 Social Studies, Clark County School District (CCSD), introduced himself to the Subcommittees and offered the following testimony:

> My name is Brian Boothe and I am the Project Facilitator for K-12 Social Studies in the Clark County School District. I am honored to speak to you today on behalf of the partnership between the Governor's Advisory Council on Education Relating to the Holocaust and the Clark County School District.
>
> Holocaust education is an essential component of the CCSD social studies curriculum in fifth through twelfth grades. Students are asked to study the Holocaust from a multitude of perspectives, such as the causes, impact, short-term effects, global impact, and the glaring example of genocide in the 20th century.
>
> In an effort to bring quality material and instruction relating to this delicate topic, CCSD has partnered with the Governor's Council on a series of events that have enriched teacher knowledge and student experiences. Our collaborative efforts have trained over 125 social studies and ELA [English Language Arts] teachers over the last two years. We have also conducted two incredibly successful conferences for students reaching over 450 students in Clark County. During these conferences, students have directly

> interacted with local survivors of the Holocaust and studied the real-life consequences of this horrific event in world history.
>
> All of the teacher training and student conferences could not have been possible without the financial and organizational support of the Governor's Council. Their support has allowed our teachers and students to learn directly from experts in the field of Holocaust Education from the United States Holocaust Memorial Museum in Washington, D.C.
>
> Additionally, the Governor's Council has branched out into individual schools such as Jerome D. Mack Middle School and Mike O'Callaghan Middle School. Las year, the Governor's Council sponsored a trip to the Museum of Tolerance in Los Angeles for over 300 CCSD students. This life-altering experience for our CCSD students could have only happened with the support of the Governor's Council.
>
> In conclusion, our hope is that this partnership will continue to flourish for the teachers and students in Clark County and all over Nevada. This topic is sacred and requires a dedicated group to lead the charge for the State of Nevada.

In response to earlier comments that had been made about the need for the state to invest in its teachers, Mr. Boothe advised that the Council was investing in Nevada's teachers and students, and the funding was being spent to improve Holocaust education in the state's classrooms. Mr. Boothe said he had seen the results firsthand and it was incredible; he believed the investment was paying significant dividends.

Chair Flores asked whether there were partnerships with other school districts in the state outside Washoe and Clark Counties. She wondered whether there were similar curriculum-based partnerships in the rural areas.

Doug Unger, Chair, Governor's Advisory Council on Education Relating to the Holocaust, replied that the Council actively participated in programming in northern and southern Nevada. Depending on the availability of funding, speakers visited rural areas or students in rural areas were transported to northern or southern Nevada to attend student-teacher conferences. Mr. Unger said that additional funding would allow the Council to reach out in rural Nevada and provide additional services.

Chair Flores asked whether there were plans currently in place to reach out to rural Nevada.

Martha Gould, Vice Chair, Governor's Advisory Council on Education Relating to the Holocaust, stated that teacher-training and student-teacher conferences were available in northern Nevada, as depicted in Exhibit G, "Northern Nevada Holocaust Annual Conference," and Exhibit H, "Untold Stories of the Holocaust, Fall Teacher Workshop." The Council invited teachers from several rural counties to participate in those workshops and conferences.

Ms. Gould said rural teachers attended the functions at their own expense and on their own time, but they received professional continuing education credits for participation. The Council brought in speakers and provided a curriculum for the workshops and conferences, which also included an evaluation process.

Ms. Gould believed that of utmost importance to the Council's efforts was the support received from the Nevada Department of Education. She introduced Christine Hull, Education Programs Professional, Social Studies and Content Literacy Specialist, Nevada Department of Education, to the Subcommittees and stated that she was part of the Nevada Holocaust Education Task Force. That task force worked with the Council in southern Nevada to design programs for teachers.

Ms. Gold said the Council used significant resources to provide teacher training such as the private funding that maintained the Council's education website. The program for the teachers and students that was conducted in the spring was also underwritten by private funding in both northern and southern Nevada. It was not only a matter of remembering the Holocaust, it was taking the lessons from the Holocaust and comparing those lessons to what was happening in the world today with hate groups, cyber bullying, and the anger at immigrants.

Ms. Gould said the Council also brought in second generation Jews and non-Jews, whose family members sometimes had given their lives to save others, to speak at conferences and workshops. Students could then understand not only what had occurred during the Holocaust, but how they could fight hate and discrimination today and learn respect and tolerance; it also gave teachers the tools necessary to teach about the Holocaust. She opined that workshops and conferences were one of the most important aspects of the work done by the Council.

Ms. Gould stated that the Council also supported two research libraries, a stand-alone library in southern Nevada, and a research library located in the Washoe County Library System in northern Nevada, with dedicated resources and staff. Ms. Gould said she had provided lapel pins to members of the Subcommittees called "zakhar," which meant "remember," because people could not afford to forget what had occurred in history.

Chair Flores asked whether Ms. Hull would like to address the Subcommittees.

Christine Hull, Education Programs Professional, Social Studies and Content Literacy Specialist, Nevada Department of Education, stated that she worked with the Nevada Holocaust Education Task Force to coordinate efforts throughout the state, including rural counties, and she had worked with teachers from several counties. One reason why the budget increase was so important was because the Council would like to expand the program beyond secondary teachers to include elementary teachers and school counselors.

Ms. Hull noted that there had been many requests to allow those teachers and counselors to attend teacher training, but the Council did not have the necessary resources for the additional attendees. Ms. Hull said the additional teachers and counselors were interested because of the lessons about tolerance that could be learned from the Holocaust and the genocide that could be used to teach students about bullying today. The emphasis for students was to talk about the people involved in certain situations, and whether the student would be a victim or a person who simply would not tolerate bullying. Ms. Hull noted that bullying was a serious problem in elementary schools, not only in Nevada, but throughout the country.

Senator Woodhouse felt she would be remiss if she failed to share her experience with the Holocaust education program, particularly within the Clark County School District (CCSD). She opined that Mr. Boothe and his predecessors had done a fabulous job in bringing the program to the students. Senator Woodhouse said she had worked in the School-Community Partnership Program office for the CCSD for many years, and Holocaust education was one of the programs assisted by that office. She believed that such programs should continue for teachers and students.

Senator Woodhouse concurred that elementary school teachers should be included in Holocaust education programs because teachers needed to teach those values and sensitivities to the youngest children as well. Senator Woodhouse applauded the work being done by the Governor's Advisory Council on Education Relating to the Holocaust in partnership with the Nevada Department of Education. She also wanted to recognize the many volunteers who had assisted in the Holocaust education program since 1989 and done a wonderful job.

Ms. Gould thanked Senator Woodhouse for her comments. It was not only teaching the teachers, the Council was educating students who would one day be involved in areas such as politics. Providing Holocaust education would help students in their future endeavors, and Ms. Gould pointed out that children were the future of the country.

Chair Flores recognized Doug Unger, who introduced Henry Kronberg, a Las Vegas resident.

Henry Kronberg introduced himself to the Subcommittees as a 93-year-old Holocaust survivor. He urged the Subcommittees to support the budget request for the Governor's Advisory Council on Education Relating to the Holocaust because it was very essential, as described in previous testimony by Martha Gould. He believed it was very important that the future generation never forget about what happened during the Holocaust.

Chair Flores thanked Mr. Kronberg for his testimony. The Subcommittees also believed it was very important that the future generation not forget the tragedies that had occurred, and she voiced appreciation for the efforts in education made by the Council.

With no further testimony forthcoming regarding budget account (BA) 1301, the Chair closed the hearing. Chair Flores opened the hearing on BA 1052 and BA 1053.

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
NEVADA STATE LIBRARY AND ARCHIVES
ADMINISTRATION – NSLA – ARCHIVES AND RECORDS (101-1052)
BUDGET PAGE ADMIN–261

FINANCE & ADMINISTRATION
DEPARTMENT OF ADMINISTRATION
NEVADA STATE LIBRARY AND ARCHIVES
ADMINISTRATION – NSLA – IPS EQUIPMENT/SOFTWARE (101-1053)
BUDGET PAGE ADMIN–270

Daphne DeLeon, Administrator, Division of State Library and Archives, Department of Administration, introduced herself and Evan Dale, Administrator, Administrative Services Division, Department of Administration, to the Subcommittees.

Ms. DeLeon referenced page 2 of Exhibit I, "FY 2014 – FY 2015 Governor's Recommended Budget, Department of Administration, Nevada State Library and Archives, Budget Account 1052," which contained the program description for the Archives and Records Management account. Ms. DeLeon indicated that the program in the Archives and Records Management account provided records management services to state and local governments, preserved state government records of historical significance, and provided record conversion services. She noted that those services had been added to BA 1052 by the 2011 Legislature when BA 1055, Imaging and Preservation Services (IPS)—formerly Micrographics and Imaging—was merged with BA 1052, Archives and Records.

Ms. DeLeon indicated that page 3 of the exhibit depicted the four subprograms included in BA 1052, Archives and Records:

1. State Archives
2. State Records Management
3. State Records Center
4. Imaging and Preservation Services

Ms. DeLeon stated that page 4 of the exhibit depicted the Priorities and Performance Based Budget (PPBB) activities for the Archives and Records Management:

1. Archives and Records Management Service
2. Preservation of Nevada History
3. Reference/Resource Access and Assistance
4. General Administration

Ms. DeLeon stated that Budget Request Highlights were depicted on page 5 of Exhibit I, and were a direct result of merging BA 1055, Imaging and Preservation Services (IPS) with BA 1052, Archives and Records. Prior to the 2011 Legislature, BA 1055 had been an enterprise budget that was able to replace equipment based on the level of revenue generated. When the budgets were merged, IPS became a cost-allocated program.

Ms. DeLeon said the Division quickly realized that it did not have a mechanism in place to retain a portion of the revenue being generated by local government projects to fund specialized equipment needs for IPS. Ms. DeLeon stated that decision unit Enhancement (E) 713, page 7 of the exhibit, depicted equipment replacement needs for the IPS program. She further explained that the request was for commercial quality grade equipment at a cost of over $5,000 for each piece of equipment.

Chair Flores said the Subcommittees had some concerns about BA 1052, Archives and Records, and BA 1053, Imaging and Preservation Services Equipment and Software. She understood the need for equipment; however, projections had not been received from the Division of State Library and Archives that would explain the projected increase in fee revenue for the 2013-2015 biennium. Chair Flores noted that there were also duplicate expenses in BA 1052 and BA 1053, which was a new account proposed by the Governor in The Executive Budget.

Ms. DeLeon referenced page 6 of Exhibit I that depicted the revenue expected to be generated by the IPS program over the upcoming biennium. Those figures were based on past revenue levels in fiscal year (FY) 2008, FY 2009, FY 2010, and FY 2011. The chart indicated that FY 2008 had been the revenue high point because of large projects received from local governments. The figures for FY 2009 and FY 2010 depicted the average revenue generated, and those figures supported the projected level for the upcoming biennium. Ms. DeLeon noted that in FY 2011 there had been a drop in revenue because BA 1055, Imaging and Preservation Services (IPS) had been phased out, which adversely affected revenue.

Chair Flores said it appeared that the revenue projections in decision units Enhancement (E) 250 and E-713 had been determined by past revenue generated.

Ms. DeLeon said the Division had researched past levels of revenue generated to determine the level of need in the past and to project the level for the future. The Division was aware that Assembly Bill No. 10 of the 76th Session (2011) would allow state and local governments to declare a scanned record as the copy of record. The Division was in the final phase of adopting the regulations to comply with the mandates of A.B. No. 10, and it projected that the need for record conversion by local governments would increase.

Mike Torvinen, Deputy Director, Department of Administration, said that he would work with Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff to clarify the requests and projections in BA 1052 and BA 1053.

Evan Dale, Administrator, Administrative Services Division, Department of Administration, asked whether the Subcommittees would like him to testify about the two budget accounts.

Chair Flores stated that budget accounts (BA) 1052, Archives and Records, and BA 1053, IPS Equipment/Software were very confusing. Because of the duplicate requests and revenue projections, she asked that representatives from the Department of Administration work with LCB Fiscal Analysis Division staff to resolve those problems. Chair Flores closed the hearing on BA 1052 and BA 1053.

The Chair opened the hearing on BA 3823.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
REAL ESTATE DIVISION
REAL ESTATE ADMINISTRATION (101-3823)
BUDGET PAGE B&I–143

Bruce Breslow, Director, Department of Business and Industry, introduced himself to the Subcommittees and explained that he had not been involved in creation of the Division's budget, and therefore, the Administrator for the Real Estate Division would present the budget to the Subcommittees.

Gail Anderson, Administrator, Real Estate Division, Department of Business and Industry, introduced herself and Steve Aldinger, Deputy Administrator, Real Estate Division, to the Subcommittees.

Ms. Anderson stated that budget account (BA) 3823 was the Administration budget account for the Real Estate Division, and was funded primarily with fees and a General Fund appropriation. The fee revenues in the budget were realized from time-share registrations and licensing, along with property management permits. A number of programs were housed in the Administration budget account. Some of the ten chapters of *Nevada Revised Statutes* (NRS) administered by the Real Estate Division included:

- Chapter 645, Real Estate licensing
- Chapter 645C, Appraisers of Real Estate
- Chapter 645D, Inspectors of Structures
- Chapter 119, Sale of Subdivided Land
- Chapter 119A, Time shares
- Chapter 119B, Memberships in Campgrounds

Ms. Anderson stated that she had presented three exhibits for the Subcommittees' perusal:

- Exhibit J, "Department of Business & Industry, Real Estate Division, Biennial 2013-2015 Budget Presentation, Budget Account 3823, Real Estate Administration."
- Exhibit K, "Real Estate Division, Budget Account 3823, Licensing Section, Workload Indicators, FY 2006 – FY 2012."
- Exhibit L, "BA 3823 Timeshare Revenue History."

Ms. Anderson indicated that the number of licenses had decreased by 4 percent from fiscal year (FY) 2011 to FY 2012 and had decreased 12 percent overall from FY 2010 to FY 2012 because of the difficult housing and recessionary period in Nevada.

According to Ms. Anderson, BA 3823, Real Estate Administration, also funded two of the three commissions responsible for regulations and disciplinary enforcement for most of the larger programs: (1) the Real Estate Commission; and (2) the Commission of Appraisers of Real Estate.

Ms. Anderson stated that the budget account included a significant decision unit, Enhancement (E) 225. As a General Fund budget, and concurrent with the state's economic downturn, since 2009 the Division had suffered significant revenue problems from both the decrease of time-share revenue and the mandatory General Fund budget reductions. Ms. Anderson stated those components had resulted in significant staffing reductions in 2011 when nine full-time positions were eliminated, three positions were reduced from full-time to part-time, and three positions were transferred. Those reductions were in addition to the elimination of seven positions by the Legislature during the 2009 Session and the 2010 Special Session.

Ms. Anderson commented that positions in the budget account had been severely reduced to the point that the Division now needed help. The Real Estate Division had gone from 36 full-time-equivalent (FTE) positions in 2009 to 15.8 FTE positions in 2012, which was a 56 percent reduction in staffing.

Chair Flores said she understood the need for additional positions. She noted that the budget request would restore the positions eliminated by the 2011 Legislature and would add one additional position. The proposed FTE positions would be funded by National Mortgage Settlement funds, and the concern was how those positions would be funded beyond the upcoming biennium. Chair Flores also questioned whether the funding for those seven positions would fall within the mandated use of National Mortgage Settlement funds because use of those funds was very limited.

Ms. Anderson said use of National Mortgage Settlement funds for the positions would be for the upcoming biennium only. She and the Department's Director would work together over the interim to devise possible enterprise funding for the Real Estate Division, which would address the long-term funding for the positions. Ms. Anderson emphasized that the positions were needed; she noted that nine positions had been cut from the Division in 2011, and three additional positions had been transferred.

Ms. Anderson noted that National Mortgage Settlement funds were to be used to lessen the effects of the mortgage and foreclosure crisis, to enhance consumer protection, and to enhance law enforcement efforts to investigate, prosecute, and prevent financial fraud or unfair or deceptive acts or practices. Licensing itself was a consumer protection act, said Ms. Anderson, and there had been serious problems with comingling and embezzlement of client funds held in trust by real estate brokers. There had been a number of license revocations, and the Real Estate Division had worked with the Federal Bureau of Investigation (FBI) on a number of cases.

Ms. Anderson pointed out that the Division had been dealing with deceptive and fraudulent practices against consumers and the public in its recent activities. Another aspect that the Division was investigating was the sale of subdivided land in Nevada, which included protection of public and consumer disclosures, permitting of activities, sale activity, and marketing, which were very important for consumer protection.

Ms. Anderson believed that the request for funding for the positions would align with the stipulations regarding use of National Mortgage Settlement funds, and she realized that a long-term funding solution would ultimately be needed. The Real Estate Division touched every aspect of real estate development, marketing, and sales in Nevada, and the Division needed additional positions in compliance and licensing. One requested administrative aid position would be for the project section of the Division, which was currently staffed by one employee. That section dealt with all subdivided land in Nevada and timeshare sales. Ms. Anderson said it was no longer possible for one employee to handle the workload in the project section. The project section was falling behind in processing filings, such as new applications, amendments, and renewals, which had an economic effect on the state because of the inability of developers to market and sell in Nevada.

Chair Flores asked whether there had been some thought about the source of funding for the positions beyond the upcoming biennium.

Ms. Anderson reiterated that she and the Director of the Department of Business and Industry had not discussed specifics for funding the positions, but the thought was to develop enterprise funding. Currently, all revenues, with the exception of time-share and property management permits, were placed in the General Fund as a revenue source.

Bruce Breslow, Director, Department of Business and Industry, stated that almost all budget accounts within the Department were self-funded entities; however, the Real Estate Division was funded by fees and General Funds. The real estate industry was beginning to rebound, and the Division was issuing more subdivision permits. Mr. Breslow opined that licensing would continue to increase, and there were not enough employees in the project section to answer the phones and complete the work. However, the Department had been instructed to make its budget balance, and the Real Estate Division was partially funded by General Funds. He assured the Subcommittees that he and Ms. Anderson would identify an alternative funding source for the requested positions, other than the base budget, to present to the 2015 Legislature.

Mr. Breslow stated that he would look for self-funding options for the Real Estate Division so that when the industry expanded and contracted, the Division would have the appropriate number of employees necessary to protect the consumer. He understood that the Division actually contributed to the General Fund, and future funding for positions could not interrupt that contribution.

Chair Flores understood that the real estate industry was beginning to rebound, but the budget projected that workloads would remain flat or decrease, and the request would restore positions that had been eliminated so the Division could maintain the same workload. She asked for information about the effect of the online license renewal program on the agency's workload.

Gail Anderson, Administrator, Real Estate Division, Department of Business and Industry, advised that the Division was not keeping up with requests and the process was taking longer. There was a backlog in the compliance section where caseloads were over 100 per investigator for the two investigator positions in southern Nevada and the one part-time investigator position in northern Nevada. Ms. Anderson noted that the Division's licensing process took longer because there were fewer staff to process the requests. Also, the percentage of online renewals was very small at 10 percent to 12 percent of overall applications. Most persons either called or came to the office for license renewals, said Ms. Anderson, and the Division was working to enhance the features of the online process; however, there was a convenience fee attached to online renewals.

Ms. Anderson stated that the project section, which dealt with all subdivided land in Nevada and also dealt with time-share sales, was extremely backlogged because one position had been vacant for eight months, which left only one employee in that section. The workload projections in the budget were flat based on actual numbers, but Ms. Anderson emphasized that current staff was unable to keep up with the caseloads.

Senator Woodhouse was aware that the Division was short staffed, but for the Subcommittees to close the budgets, Mr. Breslow and his staff would need to work with Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff regarding the funding plan for the positions moving forward. Senator Woodhouse said she needed a commitment from Mr. Breslow that he and his staff would provide the additional information.

Bruce Breslow, Director, Department of Business and Industry, stated that he and his staff would work on development of that information. He explained that licensees were currently lining up to renew real estate licenses, and there was only one person at the counter to handle those renewals. It was extremely frustrating for the consumer, and some were beginning to get angry. There were major contributors to the time-share industry, such as the Walt Disney Company and Hilton Worldwide, that were ready to begin projects in Nevada, but the Division did not have sufficient staff to process all the time-share sales requests.

Mr. Breslow said the Division would typically request additional General Fund dollars for the positions, but the reality of obtaining additional money from the General Fund was nonexistent. That was the reason the current budget request would fund the positions with National Mortgage Settlement funds over the upcoming biennium. He emphasized that he and his staff would attempt to craft a fee-funded revenue program for consideration by the 2015 Legislature, but it would take some time to complete the necessary analysis.

Mr. Breslow said because the Real Estate Division was in crisis and needed the additional staff now, the current funding proposal had been selected. The Office of the Attorney General believed that funding the positions in the Real Estate Division would be a very good use of the National Mortgage Settlement funds. There was a similar funding request for positions in budget account (BA) 3910, Mortgage Lending, to help investigate mortgage fraud.

Mr. Breslow asked Senator Woodhouse about specific information that would be needed to close the Real Estate Division budget accounts.

Senator Woodhouse said she would like to see a more definitive plan regarding the proposed fee-funded program; she again asked Mr. Breslow to work with LCB Fiscal Analysis Division staff and provide more rationale in writing for the current budget, and perhaps more solid information about the enterprise fund.

Mr. Breslow said he and his staff would attempt to provide the requested information as soon as possible.

Assemblyman Anderson said he had previously been a licensed Realtor, and it had been a very paper-intensive process that almost always required standing in line at some point. He asked about the convenience fee for the online license renewal program and what the Division had done to promote the program.

Ms. Anderson said the Division had promoted the online renewal process through its newsletter and was working on enhancing the program as well. The Division was currently conducting real estate license renewals online as its roll-out program. There were some technology hurdles that the Division was working on, and it had recently transferred to a virtual server and upgraded the software. Ms. Anderson said the Division was just beginning to roll out some technology improvements and would review applications for other online programs over the upcoming biennium.

Also, said Ms. Anderson, some of the problems with online renewals involved the familiarity and comfort levels of the licensees. It appeared that an education and training component was needed for licensees. Most of the time, the process was straightforward and easy, but at times there were problems with the state processing of monies and transfers that had to be regulated. Ms. Anderson said the Division was working to improve the online program and wanted to add enhanced features to that program. She stated that she discussed the online process on public record at every Real Estate Commission meeting to promote the use and convenience of the online program.

Assemblyman Anderson asked about the timeline for the enhanced features, and whether those features had been developed. Ms. Anderson replied that some of the enhancements were in the works, and the Division hoped to have the education module component uploaded into its data system soon for the convenience of licensees. The Division was also considering the customization of some components.

Assemblyman Eisen said it appeared that the online process would be less labor intensive and less costly, and he wondered why persons were being charged a fee to use the online program, which might be a deterrent. Dr. Eisen asked how much was being charged to use the program.

Ms. Anderson said the discussion regarding fees had occurred approximately six years ago when the former Department of Information Technology established the fee structure and convenience fee charges. It had been determined that a fee would be charged for convenience that would not be absorbed by the agency. The states that were most successful at using online programs did not charge fees, said Ms. Anderson, but the convenience fee was part of the original structure of online programming.

According to Ms. Anderson, the online process produced less paper, but there was processing within the Division's data system that still had to take place. The process involved the actual application for renewal that was completed electronically, but the information also had to be entered into the Division's data system. The applications also had to be reviewed for disclosures of child support, felony convictions, and completion of educational requirements. The Division was working on streamlining the online program so that renewals could be processed more quickly and efficiently.

Assemblyman Eisen asked whether the information entered online by the applicant then had to be manually entered into the Division's data system. Ms. Anderson replied that the renewal data was not reentered, but review of the requirements for the renewal were completed manually.

Assemblyman Anderson asked about the amount of the convenience fee. Ms. Anderson replied that the fee varied and ranged from $0.60 to $6 for credit card processing.

Bruce Breslow, Director, Department of Business and Industry, commented that part of the fee collected for the online program paid the credit card costs, which could be significant.

With no further questions regarding budget account (BA) 3823, Chair Flores closed the hearing. The Chair announced that BA 3826 and BA 3827 would be heard together, beginning with BA 3827.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
REAL ESTATE DIVISION
REAL ESTATE EDUCATION AND RESEARCH (216-3826)
BUDGET PAGE B&I–149

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
REAL ESTATE DIVISION
REAL ESTATE RECOVERY ACCOUNT (216-3827)
BUDGET PAGE B&I–155

Chair Flores stated there had been some fluctuation in revenues in budget account (BA) 3827 because of Senate Bill No. 230 of the 75th Session (2009), which extended the initial period of licensure from one year to two years with a fee of $40, and extended the renewal period of licensure from two years to four years with a fee of $80. She asked how the Division was dealing with the ebb and flow of resources.

Gail Anderson, Administrator, Real Estate Division, Department of Business and Industry, stated that the Division was monitoring the resources very closely. After passage of S.B. No. 230, the Division wanted to ensure that it had sufficient revenue in the reserve for the next biennium. The Division continued to plan for the fluctuation in revenues.

Budget account (BA) 3827, Real Estate Recovery Account, provided the funding for BA 3826, Real Estate Education and Research, providing the balance of funds at the end of each fiscal year was in excess of $300,000. Chair Flores wondered whether there had been a need for the Division to adjust program activities.

Ms. Anderson stated that the Division monitored the funds to ensure that the programs submitted in the budget for BA 3826 for the biennium could be met by the reserve in BA 3827. As revenues declined, adjustments and reductions would be made in budget categories or expenditures. Ms. Anderson said there had recently been more claims activity in BA 3827 than in the past. Claims filed had increased from four in 2010 to ten in 2011, seven claims were filed in 2012, and five claims had been filed in 2013 with two claims still being processed.

Ms. Anderson said one of her responsibilities was to defend the Real Estate Education, Research and Recovery Fund, and an attorney had been assigned to ensure that claims against licensees were processed correctly. She reiterated that while more claims had been filed, the costs had never reached $100,000, let alone $300,000, per year. At times, the Division reached the end of the fiscal year without using the maximum amount budgeted. Ms. Anderson said budget projections included the costs for seven full-time employees along with the Commission's projects for education for real estate licensees. The upcoming biennium was projected to be two low-revenue years, but there was currently sufficient reserve to meet the funding needs for BA 3826, Real Estate Education and Research, over the upcoming biennium.

Chair Flores asked whether there would be sufficient reserve to support BA 3826 for fiscal year (FY) 2016 and FY 2017. Ms. Anderson replied there would be a new influx of revenue for the following biennium.

With no further questions regarding budget accounts (BA) 3826 and BA 3827, Chair Flores closed the hearing. The Chair opened the hearing for BA 3820.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
REAL ESTATE DIVISION
COMMON INTEREST COMMUNITIES (101-3820)
BUDGET PAGE B&I–156

Gail Anderson, Administrator, Real Estate Division, Department of Business and Industry, stated that budget account (BA) 3820 was funded by fees paid by unit owners through registration of homeowners associations (HOAs) to the Office of the Ombudsman for Owners in Common-Interest Communities and Condominium Hotels. The budget included 17 full-time-equivalent (FTE) positions plus a seven-member Commission for Common-Interest Communities and Condominium Hotels.

Currently, said Ms. Anderson, there were 2,988 HOAs that were comprised of 489,215 units. The program was responsible for the compilation and maintenance of the registration for each HOA in the state, resolution of claims through various programs, education and training programs for Commission members and unit owners, and the compliance investigation section.

Ms. Anderson stated that BA 3820 included three enhancement (E) units, all of which would be funded through the fee-funded account. Decision unit E-225 would add three positions to the compliance section: two compliance audit investigator positions and one dedicated, FTE administrative assistant position. The caseload in that section continued to increase and Ms. Anderson indicated that some cases were complex, particularly when alleged financial impropriety was involved, which entailed the subpoena of bank records and intensive document review.

According to Ms. Anderson, the investigator positions would assist with the investigations resulting from complaints filed and assist with timely processing of cases, which was a major goal of the Real Estate Division. The administrative assistant position would help with the efficient operation of the compliance section through data entry and clerical processes on behalf of the investigators.

Chair Flores asked about the differences in caseloads in northern Nevada, rural Nevada, and southern Nevada. She noted that a troubling statistic indicated that the Division had been able to complete only 26 percent of its compliance investigations within 90 days. The Division was only projecting 30 percent completion within 90 days for fiscal year (FY) 2014 and 35 percent completion for FY 2015, compared to the 65 percent completion rate projected for FY 2013. The Chair asked about the failure to complete investigations within 90 days.

Ms. Anderson said there was a difference in caseloads between the northern, rural, and southern parts of the state. There were a significant number of HOAs in Washoe County, but not nearly as many in the rural counties. Clark County included an even greater number of HOAs. She indicated that there was one investigator position in northern Nevada and three investigators in southern Nevada.

Ms. Anderson explained that the first year the Division maintained data regarding completion of investigations within 90 days, cases had been recorded as going to compliance; however, not all cases were forwarded to compliance. Therefore, a different statistical methodology was currently being used. The Office of the Ombudsman attempted to deal with more problems at the ombudsman level, which decreased the number of cases forwarded to the compliance section. The target rate of 90 days was for the compliance section, and while the statistics appeared disturbing, some percentages of completion were the result of record-keeping at that time. The Division would like to recalculate the target rate of 90 days because of the extremely challenging task of opening investigations, receiving responses to inquiries, granting extensions, and trying to work through the process to determine whether the case should move forward.

Ms. Anderson said she could not foresee a time when cases forwarded to the Commission would actually be completed within 90 days, but there were many matters that could be resolved within the 90-day period, such as requests for records from the responding side. The Division attempted to resolve compliance cases in a timely manner, except in cases of election fraud, allegations of embezzlement, misuse of funds, or indictments.

Chair Flores said Ms. Anderson indicated that 300 cases were filed in FY 2013, which appeared to be concentrated in Clark County. She asked how many of those cases per month were generated from Clark County, and she also wondered why the three current investigators could not handle the workload.

Ms. Anderson said she would be happy to submit the more detailed compliance section reports that were prepared for the Commission to the Subcommittees. Some of the 300 cases were carry-over cases, but the Division maintained break-out statistics regarding cases in northern Nevada and southern Nevada. Ms. Anderson indicated that 117 claims against the manager had been filed in southern Nevada and 12 such claims had been filed in northern Nevada. She reiterated that she would provide the compliance section reports to the Subcommittees.

Chair Flores believed receipt of those reports would be helpful to the Subcommittees.

Assemblyman Eisen asked what had changed in the current statistical methodology to measure completion of cases within 90 days. He also wondered why the Division was using 90 days as a benchmark for completion of cases because it appeared to be difficult to complete a case within that time frame.

Chair Flores also wondered about the 90-day benchmark and she stated that was the reason she was asking that more detailed information be presented to the Subcommittees.

Ms. Anderson said the difference in methodology began when the Office of the Ombudsman closed complaints that were nonjurisdictional or were complaints about a governing documents problem that could not be resolved with arbitration. Those cases were originally included in the 65 percent of compliance investigations to be closed within 90 days that was projected for FY 2013; however, some of those cases were now being sent to the Office of the Ombudsman for closure. Ms. Anderson indicated that those matters had made a significant difference in the projected 65 percent completion because of how the cases were closed.

Ms. Anderson said the Division would be happy to consider an adjustment to the benchmark of completion of cases within 90 days to more closely align with the majority of the cases. There would always be outlying cases that were more complex, and she would consider changes to the benchmark.

Chair Flores requested that the information be provided to the Subcommittees as soon as possible.

Chair Flores asked why the legal secretary 2 position was not being requested by the Office of the Attorney General and incorporated into the Attorney General's cost allocation plan. She also wondered why the legal secretary 2 position was not identified when the senior deputy attorney general position to assist the Office of the Ombudsman was requested and approved by the Interim Finance Committee on October 25, 2011.

Ms. Anderson replied that the senior deputy attorney general position was housed at the Real Estate Division, and was cost-allocated for budget account (BA) 3820, Common Interest Communities, as a full-time-equivalent (FTE) dedicated position. Ms. Anderson said the position was critical and necessary for the Office of the Ombudsman. However, there were no support services available for the senior deputy attorney general position at the Real Estate Division office, so that position was performing clerical work and scheduling court matters. Those duties were beyond the ability of existing administrative assistant positions within the Real Estate Division. The Division needed the legal secretary to support the senior deputy attorney general position to perform the work dedicated to the ombudsman program. There had been a number of court cases regarding civil matters along with prosecutions before the Commission for Common-Interest Communities and Condominium Hotels.

Chair Flores asked about the success of the administrative law judge pilot program and the impartial referee program. She stated she was confused about the request for $150,000 for the impartial referee program, particularly if the unclassified administrative law judge position was approved by the Legislature.

Ms. Anderson stated that Ms. Chambers would address the Subcommittees about those programs.

Shannon Chambers, Deputy Director, Administration, Department of Business and Industry, introduced herself to the Subcommittees. She explained that the administrative law judge program and the impartial referee program were two separate proposals. The impartial referee program, through the Office of the Ombudsman, would deal specifically with complaints that were handled out of that Office within the Real Estate Division. Ms. Chambers stated that the administrative law judge for the Department of Business and Industry would actually handle administrative cases involving the Division of Mortgage Lending, the Division of Financial Institutions, and the Real Estate Division. There was a possibility that some compliance cases from the Real Estate Division that did not involve complaints handled by the Office of the Ombudsman could be heard by the Department's administrative law judge. Ms. Chambers reiterated that the administrative law judge program and the impartial referee program were two separate proposals.

Chair Flores said the administrative law judge pilot program had been financed by settlement funds from Morgan Stanley Mortgage Capital Holdings, and she wondered whether the administrative law judge position could be funded with National Mortgage Settlement funds.

Ms. Chambers said use of the Morgan Stanley Mortgage Capital Holdings settlement funds had been approved through a work program submitted to the Interim Finance Committee in 2011. She explained that the settlement funds from Morgan Stanley Mortgage Capital Holdings were funding the current pilot program, but could not be used after June 30, 2013.

Gail Anderson, Administrator, Real Estate Division, Department of Business and Industry, further explained that the impartial referee program proposed in budget account (BA) 3820, Common Interest Communities, would address complaints regarding problems with governing documents. She noted those were not violations of law, and other than the Office of the Ombudsman, there was no avenue to address those cases when that Office had been unsuccessful in reaching a resolution or when the parties had not agreed to meet. The current Alternative Dispute Resolution program, administered by the Real Estate Division per chapter 38 of *Nevada Revised Statutes* (NRS), was a mandatory requirement for arbitration of HOA disputes before any civil matter could be filed.

Ms. Anderson stated that Assembly Bill 34 had been sponsored by the Department of Business and Industry and would incorporate the impartial referee program into law in NRS chapter 116. That would provide a means by which the Office of the Ombudsman could refer to a neutral third-party for a referee-written decision regarding governing document disputes between homeowners and their homeowners associations (HOAs). Ms. Anderson said those cases could not be heard by the Commission for Common-Interest Communities and Condominium Hotels because they were not violations of law, but rather were disputes over governing documents—CC&Rs (covenants, conditions, and restrictions).

Ms. Anderson stated that the impartial referee program proposed an expedited hearing, but would not fulfill the requirements of chapter 38 of the NRS [Uniform Arbitration Act of 2000] to be enforceable if confirmed or appealed in district court. Quite often simply holding a hearing and reaching a decision by a referee would resolve the matter, as had been demonstrated by the pilot program.

Ms. Anderson explained that the Alternative Dispute Resolution program in chapter 38 of NRS was very costly to unit owners and HOAs. The impartial referee program was an expedited process, as proposed in A.B. 34, and the program would be limited to damages of not more than $7,500 with each party bearing the costs for attorneys. The impartial referee program would be controlled and had proven to be very successful in resolving disputes over governing documents.

Ms. Anderson commented that for many years, budget account (BA) 3820, Common Interest Communities, had included an administrative law judge program with a subsidy of $150,000 per year. That program had not been fully used because the subsidy was for binding arbitration, and most HOA attorneys would not allow HOAs to enter into binding arbitration situations.

Ms. Anderson said the Division was trying to help homeowners who were currently at a disadvantage. Some arbitrations cost many thousands of dollars, and homeowners were often left with significant bills. The Division wanted to help resolve the disputes and help unit owners and the HOAs move on and resolve governing document disputes. The administrative law judge pilot program had shown that it was a successful methodology that included a $50 filing fee for the parties with no other costs.

With no further comments or testimony regarding budget account (BA) 3820, Chair Flores closed the hearing. The Chair opened the hearing on BA 4130.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
TAXICAB AUTHORITY (245-4130)
BUDGET PAGE B&I–182

Charles D. Harvey, Administrator, Taxicab Authority, Department of Business and Industry, introduced himself to the Subcommittees. Mr. Harvey said the Taxicab Authority was charged with the responsibility of regulating the taxicab industry in Clark County. That was the agency's sole purpose, and it was 100 percent self-funded in accordance with *Nevada Revised Statutes* (NRS) 706.8825. The budget for the upcoming biennium was flat with the exception of three enhancement (E) decision units, E-227, E-240, and E-350.

Mr. Harvey stated that decision unit E-227 would allow the agency to purchase a virtual server backup and pay the monthly charge for Metro Ethernet communication services. He stated that Ms. Chambers could provide additional information.

Shannon Chambers, Deputy Director, Administration, Department of Business and Industry, stated that she would ask the information technology manager to answer specific questions.

Chair Flores said the Subcommittees did not have questions regarding decision unit E-227, and she asked Mr. Harvey to continue his budget presentation.

Mr. Harvey said the second decision unit was E-240, which would allow the Taxicab Authority to relocate following the expiration of its current lease.

Chair Flores asked for information about the relocation and the conditions of the current location. She also wondered why the Taxicab Authority had such a large reserve.

Mr. Harvey explained that the Taxicab Authority facility was currently located on East Sahara Avenue in Las Vegas, which was an outdated facility that did not provide adequate space or security for employees, customers, or the agency's vehicles. Mr. Harvey said he had been with the Taxicab Authority since May of 2011, and since that time the agency had documented numerous problems with the air conditioning and heating at the facility, along with the lack of security. Mr. Harvey said the Taxicab Authority had attempted to work with the building manager to rectify a number of problems. The lease for the current facility expired in November of 2011, and at that time, the agency worked with the Division of Buildings and Grounds to ascertain whether it would be possible to relocate or whether the existing location should be retrofit to better meet the needs of the agency.

Mr. Harvey stated that a decision was made that it would be in the best interest of the agency to move forward with relocation. Through the Buildings and Grounds Section, State Public Works Division, Department of Administration, a facility near McCarran Airport had been located that would better meet the agency's needs.

Chair Flores stated that she had been to the Taxicab Authority facility and compared it to working out of a garage, and she was somewhat surprised that with such a large reserve the agency was only requesting relocation. She asked about the security concerns and needs of the Taxicab Authority. Chair Flores noted that the Taxicab Authority regulated a multibillion-dollar industry for Clark County, and yet it was located in an area that had no personal security, not only for the applicants, but also for employees. Also, at the current location, records were not properly maintained or secured.

Chair Flores noted that the testing integrity of the licensees was questionable because the testing location was next to the location where persons waited to address citations. Chair Flores said the administration of the citations was in the same location where persons were attempting to apply for licenses. She stated that "shocking" was not quite the word she would use to describe the facility when she visited, but she was shocked that there was almost $5 million in self-generated fees sitting in the agency's reserve account, and there had been no request for additional security for employees, visitors, and records. The enterprise information technology request was for $8,000 in the first year and $9,000 in the second year of the biennium, while the agency entered records in a makeshift database.

Mr. Harvey applauded Chair Flores for outlining the facts for relocating the agency so well. The needs of the Taxicab Authority were great, and there was a surplus in its reserve. Mr. Harvey said the agency was aware of the needs, but it had been asked to submit a flat budget, which had been done.

Chair Flores asked Mr. Harvey to delineate the actual needs of the Taxicab Authority for the Subcommittees.

Mr. Harvey said he would place the needs in four categories: (1) relocation of the facility; (2) replacement of agency vehicles; (3) increased staffing levels; and (4) enhancement of the agency's information technology abilities.

Chair Flores asked for additional detail, and she wondered whether the security needs would be met with the relocation or with additional staffing. There was currently one security person on-site when administrative hearings were held, but Chair Flores was unaware of security precautions when licensees came to the facility to pay citations.

Mr. Harvey said the Taxicab Authority had one compliance enforcement investigator who was present during administrative hearings. During board meetings, a security detail that consisted of other compliance enforcement investigators would be present. He stated there were numerous security persons present for crowd control. As far as the licensing and permitting process, Mr. Harvey said there was no on-site security present during that process; however, the agency had located an investigator close to the licensing and permitting section who could deal with any problems that arose.

Chair Flores asked whether the agency's security needs were currently being met with the location of the investigator who could be called upon to deal with problems in the licensing and permitting section, and Mr. Harvey replied that they were not being met.

Chair Flores asked what the Taxicab Authority would need to meet its security needs. Mr. Harvey replied that security needs could be met by hiring additional full-time employees or by hiring an independent security person to sit in the lobby and ensure the safety of that location. Some of those needs would be dealt with when the office was relocated to a more secure facility that would provide necessary physical barriers between employees and the taxicab drivers.

Chair Flores asked why the agency's vehicles needed to be replaced. Mr. Harvey explained that the Taxicab Authority relied heavily on its vehicles. There were 28 compliance enforcement investigators who worked three shifts patrolling Clark County. There were also seven vehicle inspectors who visited each taxicab company and conducted physical inspections of the vehicles.

Chair Flores asked how many taxicabs were currently licensed in Clark County. Mr. Harvey replied that there were approximately 3,100 taxicabs licensed. Chair Flores asked whether seven employees were currently inspecting 3,100 vehicles, and Mr. Harvey said that was correct. Chair Flores asked what the inspectors looked for in the vehicles. Mr. Harvey replied that the vehicles were inspected for mechanical safety and to ensure that air conditioners and heaters worked properly. The vehicles were also inspected for proper marking and for accuracy of the meters.

Chair Flores asked about the forecasted revenues for the Taxicab Authority for the upcoming biennium.

Bruce Breslow, Director, Department of Business and Industry, said the projected reserve by the end of the biennium was $4,916,852. He indicated that he had met several times with representatives from the Office of the Governor, and his understanding was that there would be a budget amendment forthcoming to help bolster funding to address some of the additional needs of the Taxicab Authority. The reserves were growing, but the agency had been instructed to submit a flat budget, and the reason individual meetings had been held was to address specific agency circumstances. Mr. Breslow stated that Mr. Harvey had made a good case for the needs of the Taxicab Authority, and a budget amendment was forthcoming, but he was unaware of what that amendment would contain. The priorities of the Taxicab Authority were vehicles, because many of the agency's vehicles were over mileage and suffered from brake problems, and the need for additional employees such as a deputy administrator, among other things.

Chair Flores thanked Mr. Breslow for that information. In addition to the enhancement decision units included in the budget for the various items, she wanted to ensure that the budget amendment included the difference in the increase of the cost per square foot at the new location.

Mr. Breslow said the location that had been proposed for the Taxicab Authority was no longer available, and the Buildings and Grounds Section, State Public Works Division was attempting to locate an appropriate site. Therefore, the per-square-foot rent cost had not yet been determined.

Stephanie Day, Deputy Director, Budget Division, Department of Administration, confirmed that a budget amendment would be submitted to the Legislature regarding the Taxicab Authority.

Chair Flores stated that she was looking forward to seeing the budget amendment, and she emphasized that communication was key in ensuring that the needs of the agency were met. She asked that the Subcommittees be provided with the necessary documentation which supported the needs for the enhancements. The Subcommittees wanted to ensure that the budget was appropriate for the type of industry that was regulated by the Taxicab Authority. The taxicab industry was very important for Clark County and the entire state; when visitors arrived in Las Vegas they oftentimes used taxicab services, and the Subcommittees wanted to ensure that appropriate maintenance was ongoing, and that the entire industry was being regulated in the proper manner.

With no further testimony forthcoming regarding budget account (BA) 4130, Chair Flores closed the hearing. The Chair opened the hearing on BA 3922 and BA 3923.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
TRANSPORTATION AUTHORITY
TRANSPORTATION AUTHORITY (101-3922)
BUDGET PAGE B&I–196

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
TRANSPORTATION AUTHORITY
TRANSPORTATION AUTHORITY ADMIN FINES (101-3923)
BUDGET PAGE B&I–202

Andrew J. MacKay, Chairman, Nevada Transportation Authority (NTA), Department of Business and Industry, introduced himself to the Subcommittees. He stated that the NTA regulated the taxicab industry in the counties other than

Clark County and regulated charter limousines, charter buses, the tow-car industry, and the household goods-moving industry statewide.

Mr. MacKay said the NTA contained two budget accounts. The first was BA 3922, Transportation Authority, which was funded by 90 percent State Highway Funds and by 10 percent license and fee revenue. The proposed budget for fiscal year (FY) 2014 was $2,622,669 and the amount for FY 2015 was $2,594,692.

The second budget account, said Mr. MacKay, was BA 3923, Transportation Authority Admin Fines, which was funded 100 percent with administrative fines and was statutorily restricted to be used only for the enforcement of the provisions of *Nevada Revised Statutes* (NRS) 706.771. The account had included a reserve, and the proposed budget for FY 2014 was $365,300 and the amount for FY 2015 was $431,223. Mr. MacKay said those amounts included authorized expenditures and the reserve.

Chair Flores said the NTA regulated some services in Clark County, and she asked for clarification.

Mr. MacKay said there was a lengthy list of entities regulated by the NTA, and the regulatory duties of the NTA were statewide, with the exception of taxicabs in Clark County. Some examples were the charter limousine industry, the charter bus industry, the tow-car industry, the household goods-moving industry, the airport transfer service industry, and many more.

Assemblyman Aizley asked whether the NTA was involved in regulating the towing industry. Mr. MacKay replied that the NTA regulated the tow-car industry. Assemblyman Aizley asked whether it was true that some tow-car drivers insisted on cash payments without the benefit of a receipt before they would release a vehicle.

Mr. MacKay replied that there were certain tow operators that would only accept cash; there was nothing in statute that required a tow operator to accept personal checks or credit cards. However, he indicated that if a tow operator did not provide a receipt for services, that operator would be in violation of the law. The tow operator was required to provide a bill that delineated all charges for tow service, and those charges had to be substantiated by law. Mr. MacKay said if a tow operator simply took a person's money without a receipt, that operator would be in violation of the law. He said legislators should advise constituents that if they believed they had been charged inappropriate rates without proper authorization, they should contact the NTA and an investigation would ensue.

Chair Flores asked whether the NTA had the ability to create regulations about the form of payment that tow operators were required to accept. Mr. MacKay said the NTA had rather broad regulatory powers, and he believed the NTA could promulgate regulations to address that problem. It was his understanding that a bill would be proffered by the insurance industry this session that would address methods of payment.

Chair Flores thanked Mr. MacKay, and with no further testimony or comments, the Chair closed the hearing on budget accounts (BA) 3922 and BA 3923. The Chair opened the hearing on BA 3910.

COMMERCE & INDUSTRY
DEPT OF BUSINESS & INDUSTRY
DIVISION OF MORTGAGE LENDING
MORTGAGE LENDING (101-3910)
BUDGET PAGE B&I–279

James Westrin, Commissioner, Division of Mortgage Lending, Department of Business and Industry, introduced himself and Nancy Corbin, Deputy Commissioner, Division of Mortgage Lending, to the Subcommittees.

Mr. Westrin said the Division of Mortgage Lending was a regulatory agency that was charged with administering several statutes relative to the regulation of the mortgage industry within the State of Nevada. The Division was a fee-funded agency through licensing and regulatory fees that were deposited into the account for the Division. Mr. Westrin said the budget account included two enhancement (E) decision units: E-225 and E-226.

Bruce Breslow, Director, Department of Business and Industry, asked, in the interest of time, whether Chair Flores would like to address the questions from the Subcommittees rather than hearing an overview of the budget account.

Chair Flores thanked Mr. Breslow, and indicated that the budget included $316,275 in revenue each fiscal year of the 2013-2015 biennium for the Attorney General assessment, but there were no expenditures included to pay the Attorney General's cost allocation plan in either fiscal year. Chair Flores also noted that there had been a decline in revenues within the Division's budget, and she wondered whether the Division intended to raise fees.

Mr. Westrin stated that the Office of the Attorney General provided an assessment for Attorney General services to the Division each year.

Stephanie Day, Deputy Director, Budget Division, Department of Administration, explained that a budget amendment would be submitted to address statewide payments to the Attorney General's cost allocation plan. The omission of those costs would be corrected in all budgets with that amendment.

Chair Flores thanked Ms. Day for that information. She stated that it appeared there had been a general decline in revenue within the Division's budget, and she asked whether the Division intended to raise fees.

Mr. Westrin stated that because of the decline in the mortgage industry, the Division had experienced a significant decline in revenue from its licensing base. For example, on March 31, 2007, the Division had 2,183 licensed offices and that number declined to a low on June 30, 2011, of 424 licensed offices. Mr. Westrin stated that represented a significant decrease in fees, which affected the Division's budget; that downturn had required a reduction in staff and resources.

Per Mr. Westrin, in the months between June 30, 2011, and January 31, 2013, the Division had seen a slow, but steady increase in its licensed population, which stood at 565 licensed offices as of January 31, 2013. The number of licensed offices had increased to 578 by February 28, 2013.

Chair Flores asked whether Mr. Westrin believed the upward trend would continue.

Mr. Westrin said the Division forecast that the upward trend would continue because the market continued to make modest improvements along with the improvements in the economy. Mr. Westrin said the same trend applied to licensed agents. The Division's licensed agent population was 11,338 in 2007, and that dropped to a low of 1,745 on January 31, 2011. Since that date, the number had climbed to 2,743 licensed agents as of January 31, 2013, and in February 2013 the number had climbed to 2,865 licensed agents.

Chair Flores asked for information regarding decision unit Enhancement (E) 225. The budget requested four new positions in the Mortgage Fraud Enforcement program. She asked about the purpose of the Mortgage Fraud Enforcement program and how it differed from the mortgage fraud program under the Office of the Attorney General.

Mr. Westrin stated that because of the Division's examination and investigation authority over nondepository lenders and brokers in the State of Nevada, the Division was uniquely situated to combat mortgage fraud. The Division had the authority to subpoena books, records, and loan documents to ferret out fraudulent conduct. Mr. Westrin said the Division, through the proposed Mortgage Fraud Enforcement program, would provide training to Division staff so that staff had the knowledge necessary to identify and investigate instances of fraud. Staff could then prepare cases for prosecution administratively so that licenses could be revoked for persons who had engaged in mortgage fraud, and cases could be referred to the proper criminal authorities for possible criminal prosecution.

Chair Flores asked about the Division's plan for funding the positions after the 2013-2015 biennium. She was concerned about positions that were being funded by National Mortgage Settlement funds because those were finite funds.

Mr. Westrin explained that the Division expected an increase in the licensed population and an increase in fees, which would help to fund the requested four positions going forward. He explained that the Division had reviewed a budget projection that would fund the positions through 2017.

Chair Flores stated that there had been many items requested in the budget that included little or no justification or support for the requests. For example, there was a request for out-of-state travel and registration fees for 11 mortgage lending examiners and compliance/audit investigations to attend training offered by the American Association of Residential Mortgage Regulators (AARMR) and the Conference of State Bank Supervisors, and she wondered why there was a need to send 11 employees to that training at a cost of $62,380 in each year of the biennium. Usually, an agency would send one or two employees to training, and those employees would return and share that knowledge with other employees. There was also a request for funding for an additional 11 employees to attend the AARMR annual conference at a cost of $38,628 in each fiscal year.

Chair Flores noted that there was an additional funding request for in-state travel for a compliance enforcement investigator to conduct mortgage fraud regulation and enforcement functions in the Las Vegas area, Carson City, and rural Nevada at a cost of $22,339 each year of the biennium. Also, said Chair Flores, The Executive Budget recommended funding for the development and production of public service announcements in a DVD format at a cost of $54,697 in fiscal year (FY) 2014, and she requested additional information about what the Division hoped to accomplish with those DVDs.

Chair Flores indicated that she would forward a list of questions about the Division's funding requests and would ask that Mr. Westrin provide that information to Legislative Counsel Bureau (LCB) Fiscal Analysis Division staff for distribution to the Subcommittees.

Mr. Westrin said he would compile the requested information for the Subcommittees. He explained that Division staff had not received any significant regulatory training since 2005. The mortgage industry had changed significantly since that time with the enactment of new laws and the changes in the way mortgages were being written.

Chair Flores asked why it was necessary to send 11 employees to a conference as opposed to having a trainer come to the Division to conduct training classes. She believed that would cost far less than the requested amount over the course of the biennium.

Mr. Westrin said the Division had been reviewing the overall process to obtain accreditation as a mortgage regulator through the program offered by the Conference of State Bank Supervisors. That would allow the Division's examiners to be certified as mortgage examiners and mortgage examiner supervisors. He indicated that the Division had been reviewing different training that would increase the knowledge base for its examiners and enhance their job skills. Also, said Mr. Westrin, the Division did not plan to send 11 people at one time to a conference or for training; the policy of the Division had always been to send one or two employees to an event, and upon return, those employees would share that information with the remaining staff.

Chair Flores asked whether the training needed by the mortgage lending examiners and compliance/audit investigators was offered in-state. Mr. Westrin said that type of training was not often available in-state. Chair Flores asked whether a trainer could come to the Division as opposed to sending employees out-of-state.

Mr. Westrin said the best training program for examiners and investigators was through the AARMR and the Conference of State Bank Supervisors. Those entities generally held training classes throughout the year in various locations, and offered different topics at each training session. Those entities also held an annual conference in different locations. Mr. Westrin stated there had never been a training program or a conference held in Nevada. He indicated that the conferences offered a great opportunity for staff to learn about the various processes and changes within the mortgage industry and allowed staff to converse with their counterparts in other states about what was occurring in those states. That information ensured that Nevada was following the best practices.

Chair Flores said the Division was also asking for $26,760 over the 2013-2015 biennium to obtain accreditation as a mortgage regulator through the accreditation program offered by the Conference of State Bank Supervisors. She indicated that there were many funding requests included in the Division's budget, but supporting documentation had not been presented to justify those requests. Also, it appeared that there might be some duplication in the requests for funding, and that was the reason the documents that would justify and support the funding requests were needed. Chair Flores said the Subcommittees wanted to make determinations that were based on the realities of the mortgage industry and what was necessary to regulate the industry.

Chair Flores reiterated that LCB Fiscal Analysis Division staff would work with the Division in compiling documentation in support and justification of the requested funding for accreditation, training, travel to conferences, and the request for videoconferencing equipment. Chair Flores pointed out that the Division requested funding for travel and an additional $36,495 in fiscal year (FY) 2014 for videoconferencing equipment.

Chair Flores closed the hearing for budget account (BA) 3910. The Chair opened public comment.

Samuel McMullen, representing the American Resort Development Association, introduced himself to the Subcommittees. Mr. McMullen said the Association consisted of time-share developers throughout the country, and he represented the Nevada chapter of the Association.

Mr. McMullen said he would like to comment about budget account (BA) 3823, Real Estate Administration. Mr. McMullen said it was not about the agency submitting a flat budget, or restoring positions for the American Resort Development Association, it was about the business proposals of several developers who were attempting to develop projects that would create construction jobs and jobs operating the facilities upon completion. He noted that many developers had submitted applications that were still waiting to be processed.

Mr. McMullen stated that because of the reduction in the workforce of the Real Estate Division, developers were experiencing serious delays of as much as six to nine months in applications for new projects. There were developers who had deferred or moved projects to other states, which were now lost to Nevada because of the failure of the Real Estate Division to process applications. Mr. McMullen said the delays created business problems and lack of efficiency for members of the Association.

According to Mr. McMullen, the time-share development industry created significant economic activity with jobs, construction projects, and the ongoing management of the time-share facilities. The Association supported the budget for the Real Estate Division because many applications had not been processed in 2012. Mr. McMullen said developers were interested in Nevada, and the Association hoped the Legislature understood the economic importance of time-share development and would support the budget for the Real Estate Division.

Chair Flores thanked Mr. McMullen for his testimony, and asked whether there was further testimony to come before the Subcommittees. There being none, the Chair adjourned the hearing at 10:51 a.m.

RESPECTFULLY SUBMITTED:

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Carol Thomsen
Committee Secretary

APPROVED BY:

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Assemblywoman Lucy Flores, Chair

DATE: ___________________________

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Senator Joyce Woodhouse, Chair

DATE: ___________________________

EXHIBITS

Committee Name: Subcommittee on General Government

Date: March 5, 2013 **Time of Meeting: 8:03 a.m.**

Bill	Exhibit	Witness / Agency	Description
	A		Agenda
	B		Attendance Roster
**	C	Mike Torvinen, Department of Administration	Budget presentation, Directors Office
**	D	Mike Torvinen, Department of Administration	Biennial Report, Office of Grant Procurement
**	E	Stacy Woodbury, Nevada Volunteers	Statement for NV Volunteers
**	F	Douglas Unger, Council on Holocaust Education	Report of Activities for FY 2011-2012
**	G	Martha Gould, Council on Holocaust Education	Northern NV Holocaust Annual Conference
**	H	Martha Gould, Council on Holocaust Education	Untold Stories of the Holocaust, Fall Teacher Workshop
**	I	Daphne DeLeon, Library and Archives	Budget Presentation
**	J	Gail Anderson, B&I	Budget Presentation
**	K	Gail Anderson, B&I	Licensing Section Workload Indicators
**	L	Gail Anderson, B&I	Timeshare Revenue History