

**MINUTES OF THE  
SENATE COMMITTEE ON FINANCE**

**Seventy-Seventh Session  
February 25, 2013**

The Senate Committee on Finance was called to order by Chair Debbie Smith at 8:04 a.m. on Monday, February 25, 2013, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

**COMMITTEE MEMBERS PRESENT:**

Senator Debbie Smith, Chair  
Senator Joyce Woodhouse, Vice Chair  
Senator Moises (Mo) Denis  
Senator David R. Parks  
Senator Pete Goicoechea  
Senator Ben Kieckhefer  
Senator Michael Roberson

**STAFF MEMBERS PRESENT:**

Mark Krmpotic, Senate Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
Karen Hoppe, Program Analyst  
Mark Winebarger, Program Analyst  
Annette Teixeira, Committee Secretary

**OTHERS PRESENT:**

Rick Combs, Director, Legislative Counsel Bureau  
H. Pepper Sturm, Chief Deputy Research Director, Research Division, Legislative Counsel Bureau  
David A. Byerman, Secretary of the Senate, Nevada Legislature  
Ross Miller, Secretary of State, Office of the Secretary of State  
Nicole Lamboley, Chief Deputy, Office of the Secretary of State  
Karen Michael, Nevada Business Portal Administrator, Office of the Secretary of State  
David F. Sarnowski, General Counsel and Executive Director, Commission on Judicial Discipline

**Chair Smith:**

We will start today with budget account (B/A) 327-2631, the Legislative Counsel Bureau (LCB).

LEGISLATIVE – JUDICIAL

LEGISLATIVE BRANCH

LEG - Legislative Counsel Bureau — Budget Page LEGISLATIVE-9 (Volume I)  
Budget Account 327-2631

**Rick Combs (Director, Legislative Counsel Bureau):**

I will be outlining the “Legislative Counsel Bureau Budget Account 327-2631” ([Exhibit C](#)). The LCB is the central, nonpartisan staff for the Legislature.

Our performance measures are outlined in [Exhibit C](#). Other than the standard inflation and personnel related decision units that appear in all budgets, we have not requested any additional units. Part of this is a result of the fiscal year (FY) 2012-2013 cap that the budget was constructed on did not allow for any enhancements to be made.

The budget reductions from FY 2007-2008 through the current fiscal year have primarily been achieved by leaving positions vacant. The positions have not been eliminated but have been left vacant. There are currently 31 vacant positions in the LCB that are not funded. The total LCB full-time-equivalent (FTE) employees are 247.25. There are approximately 20 intermittent positions that we do not actually call FTEs, but we provide funding for those positions as they are needed in the various division budgets.

On Page 2 of [Exhibit C](#) we have outlined the overall budget for the LCB. The General Fund appropriation is about \$28.2 million in the first year and approximately \$28.5 million in the second year of the biennium.

Decision units E-670, E-671 and E-672 are outlined in the Executive Budget. Decision unit E-670 implements a salary reduction of 2.5 percent and a furlough reduction of 1.15 percent for the 2013-2015 biennium. Decision unit E-671 implements a salary freeze by deferring step increases for FY 2013-2014, effective July 1, 2014.

E-670 Reduce Salary for 2013-2015 Biennium — Page LEGISLATIVE-10  
E-671 Freeze Salary for FY 2014 — Page LEGISLATIVE-11

Decision unit E-672 suspends longevity payments for the 2013-2015 biennium. There are no other decision units in our budget. It is a flat budget except for the furlough requirement that was reduced and the merit salary increase that was restored in the second year of the biennium. The total proposed biennium appropriation of about \$57.9 million is approximately 2 percent more than the appropriation that was approved for the current biennium. It is approximately 2.6 percent less than the appropriation that was approved for the biennium prior to that. The budget amount is lower in the odd-numbered years than it is in the even-numbered years. Part of that reason is the odd-numbered year is the Session year. An appropriation is made for the cost of the Session. The LCB budget does not include costs that are specifically charged to the Legislative Session, such as Session hires, Legislator pay, travel and operating supplies.

E-672 Suspend Longevity for 2013-2015 Biennium — Page LEGISLATIVE-11

The appropriation for the Session occurs in two phases. Phase one is in Senate Bill (S.B.) 1 that was passed at the start of the Session. This provides the startup money for the cost of the Session. Phase two occurs at the end of Session, when the Appropriations Act is approved. This is the amount that is needed to cover the rest of the costs of the Session.

**SENATE BILL 1**: Makes an appropriation to the Legislative Fund for the costs of the 77th Legislative Session. (BDR S-882)

I will now go through the divisions of the LCB. The Administrative Division has duties that include accounting, human resources, audio and video communications, inventory, information technology, janitorial, maintenance, purchasing, legislative police, parking, shipping and receiving. The only major new proposed expenditures are for one-shot equipment items. The items have been included in a bill draft request (BDR) that Governor Brian Sandoval has approved as part of his Executive Budget. Other additions in the budget include expenditures for software and hardware, maintenance contracts, supplies, training, building maintenance and repair. The Division has 84.25 FTEs. This is down one quarter of an FTE from the current biennium.

**Senator Denis:**

Can you provide us with numbers in addition to percentages on your performance measures?

**Mr. Combs:**

I will provide you with numbers.

We are facing a few challenges within our divisions. If we do not have additional resources available in the next biennium for technology services, we need to prioritize the projects you want completed during the interim. This interim we have handled many requests, and some of the projects were not completed before Session started. We need to prioritize to avoid this next Session. If we are able to work on projects well in advance of Session, it gives us an opportunity to test them sufficiently.

**Senator Denis:**

How should we approach this in the future?

**Mr. Combs:**

During the interim, the development of a committee of Legislators to provide us with priorities on the technology issues would assist us in the future. We want to respond to the priorities the best we can, and make sure that we do a good job on whatever enhancements we are requested to make. Members of the Senate and Assembly leadership need to be included in this committee so that all members of the Legislature would know what was happening.

The Audit Division's budget is unchanged from the current biennium with two notable exceptions. Funding was included in the existing budget for a performance audit of the Board of Medical Examiners. This is required by statute every 8 years. The cost for this audit has been removed from the budget for the 2013-2015 biennium. The available money of \$92,000 in the first year of the biennium is to purchase audit management software. This would help the Division automate its current manual audit documentation and review process.

The Division has four unfunded vacant positions. The result is that a limited number of audits can be performed. We are hoping through the requested software that we can ensure that the Audit Division is keeping pace with its workload with fewer positions. The appropriation in FY 2013-2014 is approximately \$3.2 million and the appropriation in FY 2014-2015 is about

\$3.2 million. This is a slight increase from the amount that was budgeted for the current biennium.

The Fiscal Analysis Division has only one significant increase for the upcoming 2013-2015 biennium, a request for an increase in contract services costs related to the EDmin school finance information contract. The cost of the contract is projected to increase by \$21,497 in FY 2013-2014 and \$21,917 in FY 2014-2015. In FY 2013-2014, the appropriation totals about \$3.3 million and is close to \$3.4 million in FY 2014-2015. The Division currently has one unfunded vacant position.

After years of stability, the Division has experienced an unprecedented rate of turnover in its staff since 2009. At this point, 9 of the Division's 21 permanent professional positions are in their first or second Legislative session working for the Division. Employees who are in either their first or second session fill all five of the top management positions for the Division. This turnover has increased the level of overtime required for employees to obtain the knowledge necessary to provide sound fiscal advice. In turn, the increased level of overtime appears to have had a negative impact on retaining employees once they have been trained. The Division has approached this challenge by employing session hires who have worked in State budget-related positions in the past to assist with the workload and with the transfer of knowledge to new permanent employees.

Although the tax and revenue section of the Division has not experienced the employee turnover suffered by the rest of the Division, the three-person section has experienced an increase in requests for data and detailed analysis as a result of the economic downturn and the continued focus on the revenue structure of the State. Although it appeared that the increase in this area was only temporary, the increase has been steady since the 2003 Legislative Session.

The Legal Division's operating budget is reduced from the current biennium. Although the Division was able to fill some of its vacant positions during the current biennium, they still have six unfunded vacant positions. They filled the vacancies through expenditure reductions in other areas of the budget, including contract services, subscription and publication costs. There are a couple of large items in the budget, including the lease payment on the warehouse building and the cost of the publications. A portion of the Division's revenue is derived from the sale of publications.

While the State Printing Office is a part of the Division, its budget is separate from the LCB budget. The appropriation recommended by the Governor is approximately \$8.1 million in each year of the biennium. The Division has provided four performance measures.

There have been some concerns with respect to its non-General Fund revenue sources. Page 9 of [Exhibit C](#) shows that there is a large portion of other revenue that comes into the Division budget and that revenue has been tapering off in recent years. We will have to replace this missing revenue with General Fund appropriations, or when the budget is capped, we will have to find expenditures to reduce. Revenues have decreased because the world is becoming technology driven and people are depending less on printed materials and more on electronic materials. A lot of our information such as the *Nevada Revised Statutes* is on the Internet and Website. This is free. The reason the revenues were placed in this budget in the past was to give some incentive for the Legal Division to promote the sales of its publications. We need to decide if we want staff and counsel focusing on sales in the future, or if we want them focusing on legal opinions and BDRs. We could devote the publications revenue directly to the General Fund and then back out the lost revenue in the Division's budget with General Fund appropriations. For the first biennium, that would be a wash.

The Research Division has seven vacant unfunded positions. Although there are no major new items in this budget, the Division is proposing to increase its travel budget for the 2013-2015 biennium using savings achieved by transferring the Constituent Services Unit (CSU) staff from non-state-owned building space back to the Sedway Office Building during the current biennium. The General Fund appropriation recommended for the Division is approximately \$4.6 million in each year of the biennium. This is a slight increase from the current biennium. They have 43 FTE positions recommended in the budget, compared to 44 FTEs for the current biennium.

It appears that in recent years the workload for the Division has been shifting from primarily legislative research requests to constituent service requests. A primary focus of the upcoming interim will be an internal review of the Division's workload to gain an understanding of the reasons for the shift and an analysis to determine whether the Division is structured in a manner that its services are being used by Legislators. The review will include requesting input from Legislators and constituents on the flow of information. Part of this

analysis will be working with the Legislators to decide on how you are getting your research information currently. In this technology-driven world, things have changed. Some of the research that individuals requested from the Division before can be done now in a matter of minutes using the Internet. The increased use of caucus staff has also reduced the number of requests. We want to identify if we are missing anything that might be needed. We want to focus on the constituents' requests as well.

**Chair Smith:**

Are the constituent service requests shown as an increase in your workload in the performance measures?

**Senator Kieckhefer:**

When you refer to constituent requests, are they requests from the Legislators on behalf of their constituents? Do constituents come in and request research from the Division directly?

**Mr. Combs:**

I do not want to say that they do not. I believe that it is a long, involved process. Constituents can get information from the Division if it is something that is quick. We try to assist whenever they call. A long, involved project would be something that the Division would want to discuss with the Legislator for approval of the time to put into the project. I will let Mr. Sturm respond to the questions on research.

**H. Pepper Sturm (Chief Deputy Research Director, Research Division, Legislative Counsel Bureau):**

More often the public is calling us directly. The word has spread that our CSU is performing well. Our staff was present at the Town Hall meetings that were given in the previous biennium. We have toll-free phone numbers now from Las Vegas. The bulk of the requests still come through the Legislators.

**Mr. Combs:**

In response to the shifting workload and comments from Legislators in the survey conducted by the LCB in the spring of 2012, the Division has adjusted its staffing to provide additional constituent services support in the Las Vegas office. Three CSU session staff positions, which were located in Carson City in previous sessions, have been assigned to the Las Vegas office for the 2013 Session. A permanent CSU staff member will be moving from Carson City

to Las Vegas in the near future to assist the one current CSU staff member in that office. These staffing adjustments were based on comments from southern Nevada Legislators indicating a need for constituents to be able to meet with the LCB staff in person.

The final part of the LCB budget that I wanted to address is the Legislative Commission and other committees that meet during the interim. The current budget does not include funding for out-of-state travel for Legislators. This was the case for the budget for the 2011-2013 biennium as well. The proposed budget for the 2013-2015 biennium also does not contain any money for out-of-state travel for Legislators.

The Commission and interim committees portion of the budget was a challenge for the upcoming biennium because the expenditures primarily occur in the even-numbered fiscal year. Since the General Fund cap was based on the appropriation for the odd-numbered FY 2013-2014, the funding for the Commission and interim committees has been reduced from what was approved for the current biennium and is more in line with what was actually expended in FY 2012-2013. If additional funding is available during the Session budget review process, this is an area which the Legislature may consider enhancing slightly to ensure that the Commission and committees are able to function well during the interim. I will be monitoring the bills that are going through the process. If revenue does become available for that purpose, I will alert you. If we start adding too many statutory interim committees we might lose the ability to fund them.

Nevada is hosting this summer's Council of State Governments West's, annual conference in Las Vegas. The Executive Budget does not include funding for the additional travel that will be required for the LCB staff to assist in hosting the conference. If additional funding were available during the Session budget review process, funding for the travel would enable the LCB to maintain its travel budget for normal purposes, rather than expending a portion of those funds for the conference.

I will now discuss B/A 741-1330, the Legislative Printing Office ([Exhibit D](#)). This budget is funded through fee revenues and recycling income and does not receive any General Fund appropriations. The budget for the 2013-2015 biennium is projected based on business activity and actual revenues and expenditures during the current biennium. The total expenditures for the



upcoming biennium are projected to be about \$2.8 million for the first year and about \$3 million in the second year. The numbers are down from what was budgeted for the current biennium. This reflects the actual experience from the base year of 2011-2012.

LEG - Printing Office — Budget Page LEGISLATIVE-20 (Volume I)  
Budget Account 741-1330

The final budget that I will be presenting today is the Nevada Legislative Interim account, B/A 327-2626, in ([Exhibit E](#)). It is a separate budget account, but we have always considered the budget as part of the LCB for the convenience of the money committees. It is a small budget, and there are no changes from the current biennium to note. It is approximately \$620,000 in the first year of the biennium and about \$630,000 in the second year. This budget funds the permanent staff of the Nevada Senate and the Nevada Assembly that is ongoing throughout the biennium. Six FTE positions are approved in the current biennium.

LEG - Nevada Legislature Interim — Budget Page LEGISLATIVE-13 (Volume I)  
Budget Account 327-2626

**David A. Byerman (Secretary of the Senate, Nevada Legislature):**

I will go over the Senate performance measures. This is a flat budget from the current interim period. We have six FTE positions for the Senate and the Assembly. Our performance measures encompass completing the Senate Daily Journal during the interim period. The Journal from the preceding Session will be fully indexed and will be available by December first of the year immediately preceding a new Session. Our Journal consists of a 6,800-page book documenting what occurs each Session. We deliver customer service. We have surveyed the LCB divisions in the third quarter of the last Session asking them for feedback on what we could be doing better or differently. We also surveyed the Senators to get feedback on the staff that was hired for the Session. I am hopeful that the performance measures will be 100 percent satisfactory. We consider all of you to be our primary audience.

**Mr. Combs:**

We do have another account in the Executive Budget, B/A 101-2630, that contains no revenue. This budget is for the Interim Finance Committee (IFC).

I will not go into much detail on this budget. We make the appropriation for this budget at the end of Session to restore the balance in that account.

LEG – Interim Finance Committee — Budget Page LEGISLATIVE-16 (Volume I)  
Budget Account 101-2630

**Chair Smith:**

We will move on to the Secretary of State budget presentation for B/A 101-1050.

ELECTED OFFICIALS

SECRETARY OF STATE

SOS - Secretary of State — Budget Page ELECTED-146 (Volume I)  
Budget Account 101-1050

**Ross Miller (Secretary of State, Office of the Secretary of State):**

I will be presenting the Secretary of State (SOS) budgets today as illustrated in our “Biennial Budget Request” ([Exhibit F](#)). The duties of the SOS are varied. We have four main divisions which include the Commercial Recordings Division, the Nevada Business Portal, called SilverFlume, the Securities Division and Elections and Notaries Division. We also serve as the State record keeper, along with the administration of the Domestic Partnership Registry, Living Will Lockbox, registration and health care directives and the statewide minister and clergy database.

I serve on the State Board of Examiners, the State Board of Prison Commissioners, the Executive Branch Audit Committee, as Chairman of the State Records Committee, on the Board of Economic Development and the Nevada Tahoe Regional Planning Agency. When I took office in January 2007, we had four main areas of responsibility; today we have approximately eight main areas of jurisdiction. Even without those additional responsibilities and duties, the General Fund revenue generated by the SOS has been on the rise since 2007. At the end of the first fiscal year that I took office, we posted revenues of about \$104.3 million compared to the close of FY 2011-2012 when we posted about \$158.8 million. Page 5 of [Exhibit F](#) illustrates revenue generation per FTE position. We have used the reallocation of our limited resources and taken advantage of automatic processes in tight budgetary times.

As a result, the revenue generated per FTE in FY 2011-2012 was approximately \$1.2 million, compared to approximately \$740,000 per FTE position in FY 2006-2007.

A substantial portion of the budget request relates to investment in information technology (IT) services. The first is the Aurora campaign finance disclosure application. We have had 12,796 online Contribution and Expense Reports and financial disclosure filings since the inception of Aurora. This law went into effect in 2011. Our Nevada Online Voter Access (NOVA) registration has been a significant success. We have had 66,729 online voter registrations since expanding to all 17 counties in August 2012. Through our Business Portal we have already had 47,035 users since the launch in August 2012. We have grown to eight partner agencies, with the State Gaming Control Board to be added shortly as the ninth agency. Our latest automation is the Nevada Digital Operating Agreement. This program is unique in Nevada. We are the first state in the Country to have this technology. It is essentially the contract between parties when they first set up their LLC. There have been over 1,400 users since the system has been implemented.

Page 11 of [Exhibit F](#) shows that commercial recordings generated about \$131 million of General Fund revenue in FY 2011-2012. This is more than 80 percent of the total revenue in our Office. We are second only behind Delaware in the number of business filings per capita. We have continued to make this a priority and to promote Nevada as the premier business filing jurisdiction.

In our Securities Division, we contributed approximately \$24 million in revenue to the General Fund in each of FY 2010-2011 and FY 2011-2012. Additionally, in the same 2-year period, the Securities Division collected about \$2.9 million in civil fines and penalties through enforcement actions that were largely related to the auction rate securities regulatory settlements.

Page 14 of [Exhibit F](#) summarizes B/A 101-1051, the Help America Vote Act (HAVA) account. With the Special Congressional election in September 2011, the Nevada presidential caucuses in February 2012, the primary election in June 2012 and the Presidential election in November 2012, the last biennium proved to be one of the most active in the SOS history. Nevada has earned the distinction as the state with the highest percentage increase in voter turnout compared to the last Presidential election 4 years ago. In preparing for and

administering three elections, we implemented the Aurora system as well as expanded the NOVA statewide. We have continued our conservative stewardship of the HAVA funds. We have approximately \$4 million remaining to cover voter registration and voting system and election administration maintenance for at least one more federal election cycle. This will most likely be through the presidential race of 2016.

SOS - HAVA Election Reform — Budget Page ELECTED-159 (Volume I)  
Budget Account 101-1051

In the 2008-2010 biennium, we surpassed the requested 14 percent cuts and reduced the Agency budget by 21 percent through layoffs, additional eliminations, additional reversions and ongoing efficiencies. That amount totaled more than \$1.4 million. Page 15 of [Exhibit F](#) shows the 2010-2012 biennium with an increase in expenditures. Upon closer review, most of those costs were from one-time appropriations such as the 2010 Census, voter outreach, the cost of startup and development of the Business Portal, along with other onetime needs for the special election and economic development. When you subtract the SOS reversions from the General Fund of approximately \$203,000 in FY 2009-2010 and approximately \$540,000 in FY 2010-2011, our fiscal responsibility is realized.

The SOS has three primary budget accounts, B/A 101-1050, B/A 101-1051 and B/A 101-1058. We are currently proposing to eliminate B/A 101-1058 and combine that budget account with B/A 101-1050.

SOS - State Business Portal — Budget Page ELECTED-164 (Volume I)  
Budget Account 101-1058

The proposed enhancements are due to an increase in online filings, to improve efficiencies and grow in-house expertise. Decision unit E-225 is for an anticipated increase in credit card discount fees. We have experienced an increase in online transactions. This increase was calculated by looking at averages of previous years.

E-225 Efficient and Responsive State Government — Page ELECTED-148

Decision unit E-227 is an allocation for specialized training for the certified elections/registration administrators. In 2012, we lost one certified

elections/registration administrator employee. Our existing staff needs this training to receive the certification.

E-227 Efficient and Responsive State Government — Page ELECTED-149

Additionally, decision unit E-231 provides the administration of the entire Electronic Secretary Of State (eSOS) system which is the engine that serves as a background for the Commercial Recordings Division. The eSOS relies heavily on the IBM-based FileNet program. We are asking for IT training for the administration of FileNet.

E-231 Efficient and Responsive State Government — Page ELECTED-150

Decision units E-232 and E-233 are for maintenance and software upgrades for eSOS, elections and securities programs. The programs are offered 24 hours a day, 7 days a week, 365 days a year for the constituents. The plan for the enhancement is to hire specialized technical Master Service Agreement contractors (MSA) to assist our current IT staff with maintenance and upgrades.

E-232 Efficient and Responsive State Government — Page ELECTED-150

E-233 Efficient and Responsive State Government — Page ELECTED-151

My Office proposes to combine B/A 101-1058 with B/A 101-1050 to allow for faster accounting practices and flexibility in managing funds. When we first created the Business Portal, we proposed a separate business account. After working for the entire biennium with a separate account, we now believe that accounting for the portion of credit card discount fees, along with four FTE positions and various operating and information contract services, can be done more efficiently by combining the budget accounts. This is accomplished in decision units E-900 to E-909 in B/A 101-1050 and B/A 101-1058.

E-900 Transfer from SOS-State Bus Portal to Sec of State — Page  
ELECTED-153 and 169

E-901 Transfer from SOS-State Bus Portal to Sec of State — Page  
ELECTED-154 and 169

E-902 Transfer from SOS-State Bus Portal to Sec of State — Page  
ELECTED-154 and 170

E-903	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-155 and 170
E-904	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-155 and 170
E-905	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-155 and 171
E-906	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-156 and 171
E-907	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-156 and 171
E-908	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-156 and 172
E-909	Transfer from SOS-State	Bus Portal to Sec of State	—	Page ELECTED-157 and 172

We are also asking for funding for disaster recovery architecture to provide business continuity in the event of a critical outage.

The budget I am presenting today is within the Agency's appropriation cap and equal to the funding level of the FY 2006-2007 budget. The difference between then and now is more investments in IT infrastructure, systems and staffing are required to continue moving towards the goal of delivering efficient services to Nevada.

**Chair Smith:**

Please describe the funding efficiencies that will be gained with moving the Business Portal back into the Secretary of State budget. How will accounting functionality and program efficiencies be realized?

**Secretary of State Miller:**

There are number of efficiencies that we will see by combining the two accounts. From an accounting standpoint, it is difficult to manage the travel and salaries for the four FTEs. In addition, we have found that it really is not necessary to have the accounts separate. We can take in the revenue through that account, but it is easier to manage through the general operations. It is really just a separate division of the Office and should be in B/A 101-1050.

**Nicole Lamboley (Chief Deputy, Office of the Secretary of State):**

At the time the account was developed based on the construction of the Business Portal, we thought it might serve as an enterprise system which it is not. We have credit card discount fees in both B/A 101-1050 and B/A 101-1058. From an accounting standpoint, we have to monitor these monthly. When one runs out, we then go into the next budget account. The credit card discount fees apply to all transactions across the Agency and are not associated with just one budget account. If they were all in B/A 101-1050, it would make more sense and generate less paperwork. We can still track the fees by general ledger (GL) and assign them to the division or the function where those credit card fees were generated. An in-state travel budget is appropriated for our Office and that has always been used by all members of the Office. We have had to come before the IFC to create a budget appropriation for in-state travel for the Business Portal administrator because no revenue was appropriated. As a statewide system, however, the ability to have our staff travel was important. We feel that we could just roll this into our existing appropriated in-state travel budget. Even office supplies can be combined for efficiency.

**Chair Smith:**

Do you think you can ensure the funding for the Business Portal?

**Ms. Lamboley:**

Yes. All of the technical funding would still be maintained. It would just be in its own GL account under B/A 101-1050. It would be tracked separately. It would not be part of the general IT services. We propose maintaining the same level but moving it into B/A 101-1050.

**Chair Smith:**

What will the contract IT staff do versus the staff that you currently have? Is the State IT staff not performing routine maintenance and software upgrades?

**Secretary of State Miller:**

We have found that the MSAs are beneficial in the Office. Our Business Portal Director started as an MSA. The MSAs we are proposing work specifically to support all of our systems. We have 19 FTE positions in the IT division. We need additional resources because we are trying to shift more of the focus of the Office toward the additional services we are offering. The MSAs would support those applications for the maintenance and some of the expanded

services that we are trying to offer. The eSOS generates a substantial amount of revenue, as do the other programs in the Elections and Notaries Division.

**Senator Denis:**

Are you proposing the MSAs so that you are not required to have the specialization in-house?

**Ms. Lamboley:**

Yes. The MSAs are being brought in to provide additional support to our existing staff. Our staff is currently working on systems that have older programming language and when you have to upgrade to the new language, their knowledge is not as significant as that of an MSA. The MSA is going to provide the additional support to bring us up to current standards. With FileNet, which is the big program related to eSoS, nobody has the experience in working with the latest version. The MSAs will provide training in addition to maintaining that system in-house. This is important rather than bringing on a full-time budget person to maintain the system.

**Senator Denis:**

Is the MSA request specific to each piece of software?

**Ms. Lamboley:**

We currently have 100 servers, 50 applications and 30 services. We have a staff of 19 who provide all of the support. We are proposing to bring in the MSAs to help make the transition. Once this is completed, our staff will take over. The MSAs are for a limited time.

**Senator Denis:**

Are these annual contracts with the MSAs?

**Ms. Lamboley:**

Yes. The State has MSAs with a variety of vendors. We put out a request with a defined scope of work and then individuals on that list are interviewed and hired based on their skill set. They are not set contracts; we still have to go through the process of defining a scope of work as well as interviewing and hiring.



**Chair Smith:**

Can IT costs associated with election-related systems be funded completely, or in part from the HAVA account?

**Secretary of State Miller:**

No. The HAVA account would only be used toward the administration of the election.

**Chair Smith:**

Why are the projected credit card fees so much greater than the actual fees from FY 2011-2012?

**Secretary of State Miller:**

We arrived at this figure by taking a historical average of the credit card discount fees which showed a trend of fees increasing year after year dating back to 1998. We are seeing a significant increase in the usage of online services by customers. The merchant and credit card transaction fees will increase as a result. There was a slight decrease in FY 2011-2012, but historically we have seen significant increases. In FY 2010-2011, there was a 32 percent increase over the previous year.

**Chair Smith:**

What percentage of your Business Portal fees are paid by credit card?

**Ms. Lamboley:**

About 68 percent of our filings are done online. However, we also accept credit card fees for paper filings in each of the divisions.

**Chair Smith:**

Are you able to identify which fees are associated with the Business Portal?

**Ms. Lamboley:**

Yes.

**Chair Smith:**

Please explain the need for the remodel of the office in the Grant Sawyer State Office Building in Las Vegas.

**Secretary of State Miller:**

The remodel relates back to A.B. No. 146 of the 75th Session when the SOS assumed responsibility for collecting the State Business License fee. We assumed the responsibilities from the Department of Taxation without any additional resources being allocated. We took on a new class of filings. In that office, we did not collect fees from the sole proprietors and general partners who often do these transactions in person. In addition, during the budget reductions, some office space on the fourth floor of the Grant Sawyer Office Building was vacated and consolidated on the fifth floor. We operate with a very small lobby. The problem is that during peak times we get dozens of people in the lobby who often bring their families with them. This creates a hazard. The remodel will reorganize the space and create efficiency for the increased traffic.

**Chair Smith:**

Your other remodel request is in the Blasdel Building in Carson City. How many IT staff members are currently working in the Blasdel Building?

**Secretary of State Miller:**

We have 19 FTEs in the IT division. We are proposing adding additional MSAs. The office space cannot accommodate our current employees. The remodel will allow the division to operate more efficiently.

**Chair Smith:**

Do the existing staff and the MSAs currently share space?

**Secretary of State Miller:**

Yes. They share cubicles and we find space where we can. This would create efficiencies by allowing us to move those cubicles around.

**Ms. Lamboley:**

It is also to maintain the security of the server systems that are located there as well as other equipment. The systems are often in the middle of the workspace and we need to secure them.

**Chair Smith:**

I have a question on the Living Will Lockbox fees. I notice that there is a substantial increase in this budget. Are you seeing an increase in utilization?

**Ms. Lamboley:**

We currently have approximately 6,300 registrants, including about 50 partners who are health care facilities. We do not charge for registration as part of the Living Will Lockbox. We have the authority from the Legislature to raise funds to support outreach and communication, with both potential registrants as well as the provider community, so that we make sure that they are using the Living Will Lockbox. We do not actually know when a provider accesses the record of a registrant. We have received good feedback from people regarding the necessity to have such a feature for our citizens in the State. I cannot tell you the usage rate due to the Health Insurance Portability and Accountability Act.

**Chair Smith:**

How many Domestic Partnerships have we registered?

**Secretary of State Miller:**

We have 4,362 Domestic Partnerships currently on file and 287 terminated Domestic Partnerships.

**Chair Smith:**

What has the SOS done about disaster planning in the past?

**Secretary of State Miller:**

We have disaster recovery systems in place for our existing systems. We are asking for an expansion for the Business Portal. If there was an event that took down the critical infrastructure that we need for the Business Portal to operate, this would allow us recovery. As we take on additional agencies this will become critical.

**Chair Smith:**

Is it actually a protection and recovery plan?

**Secretary of State Miller:**

The plan would allow us to shift servers if a server went down. This will allow the technical flexibility to be able to accommodate this type of disaster.

**Chair Smith:**

What would happen in the State if you were down for a week or more?

**Karen Michael (Nevada Business Portal Administrator, Office of the Secretary of State):**

When the Portal is up and running, it is the umbrella that stands between the different agency silos. Customers are directed to the Portal through their agency filings. In the event that the Portal went down for a significant amount of time, we would turn off the links and direct them to the legacy systems. At some point that will go away. This is our business continuity plan for now.

**Chair Smith:**

We will now be opening B/A 101-1497, the Commission on Judicial Discipline.

LEGISLATIVE – JUDICIAL

JUDICIAL BRANCH

Judicial Discipline — Budget Page JUDICIAL-57 (Volume I)  
Budget Account 101-1497

**David F. Sarnowski (General Counsel and Executive Director, Commission on Judicial Discipline):**

I am here today to discuss B/A 101-1497, the “Nevada Commission on Judicial Discipline Statistics” ([Exhibit G](#)). The Nevada Commission on Judicial Discipline was created by a constitutional amendment in 1976. It is charged with the responsibility of investigating allegations of misconduct, violations of the code of judicial conduct, and the disability of judges, justices of the peace, and municipal court judges. The seven-member Commission receives and investigates complaints against judges, disciplines judges as appropriate, and protects the independence and integrity of the judiciary. In addition, funding is provided in this account for the Standing Committee on Judicial Ethics and Election Practices. This Committee was created by the Nevada Supreme Court Rule in 1998. They are responsible for resolving ethical disputes that arise during campaigns for judiciary office and for providing judges and judicial office candidates advisory opinions regarding ethical matters that may arise due to judicial service or the elective or appointive process. Funding for the Commission is entirely from the General Fund. The standing Committee serves without compensation.

The investigations are completed by contracted private investigators. We have no State employee investigators, therefore we have no pensions to go with

them. It gives us the flexibility to turn off the investigations. If we have a slow period, we are not paying the hourly rate which was recently raised for the first time in a decade. We manage the budget so that at the end of the year we can tell investigators to stop what they are doing, so that we do not go over budget. Once they submit their work, the Commission decides what to do with the results of the investigations. They could dismiss the matter at that point. They can take care of matters privately, and in serious cases, the Commission conducts a public proceeding. We currently have four cases that will have public proceedings. This is the most we have ever had at one time. Two other cases have been resolved by stipulated evidence in hearings.

**Chair Smith:**

What is your observation on the increased number of complaints?

**Mr. Sarnowski:**

Our complaint volume varies from year-to-year, as you can see from the graphics we have given you. In some years, a particular complainant may file many complaints. For example, one inmate complainant has filed 15 complaints this year. Sometimes the word gets out around the prison system that this mechanism is out there and they file. I am not sure what I can contribute any increase to, other than when we do something publicly there does seem to be an increase. We keep track of phone calls and when someone sends us a complaint form.

The Commission meets a minimum of four times a year. If money is available, a public proceeding may be conducted in conjunction with our usually private meetings to dispose of routine matters. The Commission members get travel expenses. We try to send them, at least once in their tenure as a Commissioner, to training at the National College of Judicial Ethics which is held every other year in Chicago by the American Judicature Society. We also send our lawyer, chair and vice chair from the Standing Committee to that same training. The Judicial Branch of the Administrative Office of the Courts (AOC) helps with funding. We get the judges to attend that same type of training on AOC funds. The Education Division of the AOC has been very good about honoring our requests so that we can marshal our funds to send our members that come from the private sector.

**Chair Smith:**

What has been the impact to the Commission due to the position vacancies? When does the Commission expect to fill the vacant positions?

**Mr. Sarnowski:**

Since 2009, two employees have retired out of my assistant position. The payout for their retirement has affected our budget. I was told that reimbursement for my employee who retired in 2009 could be requested, but due to budget cuts in 2009, we did not request reimbursement. We also had a budgetary miscoding that reduced personnel service expenditures for three positions by approximately \$50,000 over the 2011-2013 biennium. To offset this shortfall and the payout for another retiree in 2012, the Commission has held two positions vacant. I also will be retiring this year after the Session. To help with workload, the Commission has contracted with a former employee to assist.

**Chair Smith:**

With your current caseload, are you going to get these vacancies filled?

**Mr. Sarnowski:**

Once the budget is completed, and the funding level has been adjusted for the other full-time position at the appropriate rate, the part-time position will also be filled.

**Chair Smith:**

The last issue is the supplemental appropriation that deals with your retirement and the general counsel.

**Mr. Sarnowski:**

I am both the Executive Director and the General Counsel. I provide ongoing advice to the Commission. When a case is prosecuted in public before the Commission and even some privately dealt-with matters, we must hire an outside lawyer. They are identified in the statute as special counsel. They are paid on a contract rate. I cannot ethically be both advisor to the Commission and prosecutor in the room.

**Chair Smith:**

What is the plan for replacing you when you retire?

**Mr. Sarnowski:**

I have just informed my Commission in the last few weeks that I am leaving. The Chairman and I will be putting together a timeline with the assistance of one of the lawyers who serves as my backup. The whole Commission will be involved in the process.

**Chair Smith:**

This concludes the budget hearings for today. Mark Krmpotic has a progress report on the Senate Committee on Finance.

**Mark Krmpotic (Senate Fiscal Analyst):**

I would like to provide an update on the Senate Committee on Finance Progress Report ([Exhibit H](#)) for the budget hearings. There are a total of 68 budget accounts assigned to the full committee for recommendation and 270 budget accounts assigned to the subcommittee. Today the number of budget accounts heard in full committee total 28. That total is through Friday, February 22, 2013. In the current week, the full committee will hear 25 budget accounts. For the subcommittee a total of 99 budget accounts have been heard to date. An additional 30 budgets have been scheduled to be heard for the current week. In total about 30 percent of the budgets will be heard by the Senate Committee on Finance. Currently, there are five bills in committee. One of the bills was heard last week, and of the 83 Capital Improvement Projects (CIP) that have been recommended by the Governor, a total of 13 have been reviewed by the Joint Subcommittee on K-12, Higher Education and CIPs.

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**Chair Smith:**

This meeting stands adjourned at 9:39 a.m.

RESPECTFULLY SUBMITTED:

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Annette Teixeira,  
Committee Secretary

APPROVED BY:

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Senator Debbie Smith, Chair

DATE: \_\_\_\_\_



<b><u>EXHIBITS</u></b>				
<b>Bill</b>	<b>Exhibit</b>		<b>Witness / Agency</b>	<b>Description</b>
	A	2		Agenda
	B	2		Attendance Roster
	C	13	Rick Combs	Legislative Counsel Budget
	D	1	Rick Combs	Legislative Printing office
	E	2	Rick Combs	Nevada Legislature Interim
	F	19	Ross Miller	Nevada Secretary of State, Biennial Budget Request
	G	10	David F. Sarnowski	Nevada Commission on Judicial Discipline
	H	1	Mark Krmpotic	Senate Committee on Finance Progress Report