

**MINUTES OF THE  
JOINT SUBCOMMITTEE ON NATURAL RESOURCES AND TRANSPORTATION  
OF THE SENATE COMMITTEE ON FINANCE  
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-Seventh Session  
March 14, 2013**

The Joint Subcommittee on Natural Resources and Transportation of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Pete Goicoechea at 8:06 a.m. on Thursday, March 14, 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.

**SENATE SUBCOMMITTEE MEMBERS PRESENT:**

Senator Pete Goicoechea, Chair  
Senator David R. Parks  
Senator Joyce Woodhouse

**ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:**

Assemblyman David P. Bobzien, Chair  
Assemblyman Tom Grady  
Assemblyman John Hambrick  
Assemblywoman Marilyn Kirkpatrick  
Assemblyman Michael Sprinkle

**SUBCOMMITTEE MEMBERS ABSENT:**

Assemblyman Steven J. Brooks, Vice Chair (Excused)

**STAFF MEMBERS PRESENT:**

Mark Krmpotic, Senate Fiscal Analyst  
Cindy Jones, Assembly Fiscal Analyst  
Alex Haartz, Principal Deputy Fiscal Analyst  
Julie Waller, Senior Program Analyst  
Adam Drost, Program Analyst  
Sheri Fletcher, Committee Secretary

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**OTHERS PRESENT:**

Joanne Marchetta, Executive Director, Tahoe Regional Planning Agency  
Christopher Keillor, Tahoe Regional Planning Agency  
Julie W. Regan, Tahoe Regional Planning Agency  
Jeff Mohlenkamp, Director, Department of Administration  
Leo M. Drozdoff, P.E., Director, State Department of Conservation and Natural Resources  
Rebecca L. Palmer, Acting State Historic Preservation Officer, Deputy State Historic Preservation Officer, Office of Historic Preservation, State Department of Conservation and Natural Resources  
David K. Morrow, Administrator, Division of State Parks, State Department of Conservation and Natural Resources,  
Pete Anderson, State Forester, Division of Forestry, State Department of Conservation and Natural Resources  
David Prather, Deputy Administrator, Division of Forestry, State Department of Conservation and Natural Resources  
Pat Whitten, County Manager, Storey County Board of Commissioners  
Michael D. Brown, Fire Chief, North Lake Tahoe Fire Protection District  
Mary C. Walker, President, Walker & Associates  
Rudy Malfabon, P.E., Director, Department of Transportation  
Scott K. Sisco, Assistant Director, Administration, Department of Transportation

**Chair Goicoechea:**

We will be hearing budget account (B/A) 101-4204.

**INFRASTRUCTURE**

**CONSERVATION AND NATURAL RESOURCES**

Tahoe Regional Planning Agency — Budget Page DCNR-9 (Volume III)  
Budget Account 101-4204

**Joanne Marchetta (Director, Tahoe Regional Planning Agency):**

I will give you a status update on Lake Tahoe, focusing on recent accomplishments by the Tahoe Regional Planning Agency (TRPA), and touch briefly on our budget highlights before taking your questions.

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I can report confidently on our significant accomplishments because the TRPA today is a different Agency than it was 20 years ago. We have taken a critical look at our effectiveness and our role in the Lake Tahoe Basin. We have made positive changes and are more accountable now under a new strategic plan that was approved several years ago. We are more focused on regional issues, more responsive, efficient and our outcomes are more relevant to twenty-first century issues.

The most recent accomplishment is the adoption on December 12, 2012, of an updated regional plan for Lake Tahoe. It was the first significant update in 20 years and perhaps the first widely supported plan for Lake Tahoe. In August 2011, the TRPA met a call to action by Governor Brian Sandoval, California Governor Edmund G. Brown Jr. and our federal Congressional Delegation. They collectively urged us to end the Regional Plan impasses no later than the end of calendar year (CY) 2012. Both Leo Drozdoff, Director of the Nevada Department of Conservation and Natural Resources, and John Laird, California Secretary for Natural Resources, provided the necessary leadership and catalyst energy to make that happen. The new plan is building relationships in the spirit of collaboration for Lake Tahoe and is setting records for its widespread support.

The implementation of our new Regional Plan is the key to continuing our positive progress for Lake Tahoe. I will walk you through a few recent highlights both of the Plan, and of its implementation and accomplishments, which are also shown in our presentation ([Exhibit C](#)) entitled "Tahoe Regional Planning Agency Budget Hearing."

Water clarity has long been our signature measure of success. Water clarity data recently released by the TRPA and the University of California, Davis, scientists, indicates our average clarity readings for CY 2012 are the best in 10 years. We have stopped the steady decline since the late 1960s, despite very high levels of precipitation in the last 2 years which tends to diminish lake water clarity. Winter lake water clarity is improving dramatically, but we cannot relax yet. We are continuing to troubleshoot our summer and shoreline lake water clarity which remain issues of concern. This positive water clarity report demonstrates what we can accomplish when it is needed for the environment and for Lake Tahoe's restoration, and it demonstrates that our environmental improvement is on the right track.

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Many of you are aware the TRPA is facing litigation on our Plan from the Sierra Club. We are not letting that litigation deter us. Moving forward on implementation of the Plan, we are confident that the federal court will find that our 2012 Regional Plan meets our mandate to achieve and maintain our environmental threshold standards for the Lake Tahoe Basin. The few that chose to oppose the Plan say that it promotes undue population growth. However, under the new Plan, our population estimates in the Lake Tahoe Basin for the next 20 years are lower than they were in 2000.

Page 5 of [Exhibit C](#) shows Lake Tahoe's year-round population. The key to implementation today is not growth, it is fixing what we currently have. The last Plan solved runaway growth which was our problem in the 1960s and 1970s. The 2012 Regional Plan encourages changes, not growth.

The Plan cuts the number of residential growth allocations in half, it eliminates 10,000 annual vehicle miles traveled in the Lake Tahoe Basin and it anticipates existing development will be voluntarily removed on an additional 1,200 parcels. Those development rights will be transferred to environmentally preferable sites in designated Community Centers and the parcels restored to open space.

The Plan improves both the environment and the economy and we will continue to keep it as a model of both environmental and socioeconomic sustainability. The TRPA is maintaining its regional role by ensuring that local plans are consistent with, and will deliver, regional environmental benefits.

Our local governments have already set to work developing their area plans and this updated approach will allow local residents in communities in the Lake Tahoe Basin to have more direct influence, while still ensuring that the TRPA meets our regional environmental goals. However, plans alone do not deliver environmental threshold containment. Investments in the environment and finished projects complete this function.

As part of implementing our Regional Plan, the TRPA leads the Environmental Improvement Program (EIP). It is the capital investment strategy to restore Lake Tahoe's environment and to achieve our environmental thresholds. Nevada has historically been the first partner to commit to the continued investment at Lake Tahoe through bond authorization. In addition, the federal government, the

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State of California, local governments, and the private sector all contribute to the investments in Lake Tahoe restoration through the EIP.

One of the EIP's accomplishments last year was the TRPA's aquatic invasive species partnership which is considered perhaps the strongest in the Nation. It is looked to as a model. The TRPA treated five acres of Lake Tahoe's floor for Asian clam removal this last year. We treated more than seven acres for invasive weed removal, conducted 30,000 watercraft inspections this last season and 3,700 boats were decontaminated to protect Lake Tahoe. Other examples of the EIP's accomplishments include the many new segments of bike trails that have been or are being built which will lead to accomplishing the bike path around Lake Tahoe. A 1-mile segment of bike path now links the Edgewood Golf Course to Elks Point in Zephyr Cove, Nevada. This summer, another mile of bike path will connect to Round Hill Pines Beach which is another area of environmental improvement. A myriad of storm water improvement projects around Lake Tahoe were completed in 2012. Road projects by both the Nevada Department of Transportation (NDOT) and the California Department of Transportation to keep sediment from flowing into Lake Tahoe were completed at a cost of millions of dollars. This year the TRPA's governing Board also approved the Edgewood Hotel project which is going to bring significant water quality, recreation and scenic benefits to Lake Tahoe. The Edgewood Hotel maintains multiple environmental improvement program projects which we sometimes refer to as a water quality project that happens to be associated with a hotel. It is a good model of a public-private partnership (PPP).

Lake Tahoe's conservation success story is well-known throughout the Nation and the world. Our accomplishments alone show what can be achieved when two states, the federal government, local governments and the private sector all work together to increase restoration and support Lake Tahoe's communities.

We are asking for your continued support of our mission by approving the recommended Executive Budget for the TRPA. Deep cuts had to be made several years ago to address the State's considerable budget deficits. As a consequence, the TRPA is below the Bi-State Compact's specified two-thirds California to one-third Nevada shares. The proposed Executive Budget makes up some of that difference. We urge your approval of that recommendation. The enhancement units are targeted at controlling and preventing aquatic and invasive species as well as

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making improvements to our customer service and efficiencies so we can better coordinate with local governments through our automated permitting system.

Accountability is as important to the Legislature as it is to us. The TRPA is committed to fiscal and programmatic accountability. We regularly review and report on the success of the performance and implementation of our Plan.

Page 15 of [Exhibit C](#) is a snapshot of the status of our environmental threshold gains. The most recent report endorsed by the Board shows that 63 percent of our measurable environmental standards, which is just one of the measures of performance that we report, are in attainment and the vast majority are showing positive trends. Progress is being made. This report also reveals where we can focus our Regional Plan as well as our EIP and work to make needed progress in areas where we are not making gains as fast as we would like. Measures like these, coupled with our monthly and annual financial reporting, is information that can give you the confidence that the TRPA is delivering a sound return on the investment Nevada makes toward the preservation of Lake Tahoe.

**Chair Goicoechea:**

Let us begin with your comments on the [Executive Budget](#) which has recommended funding of approximately \$4.07 million per year, or approximately 8 percent less than the one-third share specified in the Compact. How did you reach that budget number and do you think California will reduce its appropriation?

**Ms. Marchetta:**

The TRPA worked with the Nevada Office of the Governor on that enhancement unit request. The budget in California remains open.

**Chair Goicoechea:**

Does the TRPA anticipate California will be reducing their budget?

**Ms. Marchetta:**

Because the budget in California is still open, I cannot answer that question. I hope that they keep us "whole" this year. We are responding to some additional requirements that California is asking us to address. Just last week we attended budget hearings in California and committed to develop some new performance

benchmarks by the end of this fiscal year. With that commitment, we will probably come out whole on our budget in California this year.

**Assemblyman Bobzien:**

This budget is always difficult because of the two state reality, but I appreciate hearing about the conversation on the California side and how they are looking at this. I realize the budget is open for them and we may get their conclusion after our conclusion on budgets; however, it would be helpful to get an update as to what the performance measurements are. Two years ago we had to approve the less than one-third funding level because of the budget conditions. This Session we hopefully have more opportunity to get back to the one-third. If I heard you correctly, the Governor made it clear from the beginning that we were not going to approve a full one-third, but how could we increase it? In which enhancement units specifically was support expressed to build back up to the one-third share? How was this number determined?

**Christopher Keillor (Tahoe Regional Planning Agency):**

We provided Fiscal Division Staff a list when we composed the additional supplement to bring us up to the specified one-third, with specific items that had either been cut back in prior years or where we saw a need for greater opportunity. Staff chose the areas to supplement the budget within enhancement unit E-860.

E-860 Tahoe EIP Program — Page DCNR-11

Staff chose to recommend funding for an aquatic invasive species coordinator, through a contract with the Nevada Division of State Parks, to assist with the Lake Tahoe watercraft inspections program and permit tracking software from Accela to assist with the Agency's efforts to convert public records to an electronic format.

**Chair Goicoechea:**

Your funding is predominantly part of the Department of Motor Vehicles (DMV) pollution control funding. Has DMV confirmed that the \$419,021 per year will be available? Are you comfortable with those numbers?

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**Mr. Keillor:**

I have not specifically had conversations with the DMV, but I believe that is the case. That money is oriented toward air quality measurement.

**Chair Goicoechea:**

Explain the need for an aquatic invasive species manager and describe the duties of that position.

**Ms. Marchetta:**

There is a Lake Tahoe Aquatic Invasive Species Management Plan that is administered by the TRPA and the U.S. Fish and Wildlife Service. The TRPA is the lead agency for coordination of that program. This includes everything from securing funding, putting the boat inspectors on the ground, securing the programmatic commitments from our partner agencies to carry out the boat inspection program and all of our control programs. It also includes everything from invasive weeds to the threat of invasive fish species to rapid response programs across multiple agencies.

The aquatic invasive species manager is responsible for coordinating all of those efforts and programs. We have led the Nation in development of our aquatic invasive program. In fact, we were back in Washington, D.C., last week with a coalition of Western states discussing how to improve the programs from other lakes to better protect Lake Tahoe. The manager position will be involved in that national policy work as well.

**Chair Goicoechea:**

The Division of State Parks and the U.S. Fish and Wildlife Service is going to assist you in the watercraft inspection. Does the Nevada Department of Wildlife (NDOW) have any presence in your program?

**Julie W. Regan (Tahoe Regional Planning Agency):**

A representative from the NDOW was a part of the delegation that went to Washington, D.C., last week. We work closely with them. They work with many other agencies and many other organizations. We are coordinating a great deal of our public outreach.



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**Chair Goicoechea:**

Approximately \$500,000 will be committed to aquatic invasive species. We know that it is not adequate. Are you comfortable with this number?

**Ms. Marchetta:**

Yes, we are comfortable that, for this biennium, we will be covered. Much of our funding is still coming from funds available from the Southern Nevada Public Land Management Act. We will use those funds until that sunsets.

**Assemblyman Sprinkle:**

If Nevada decided to withdraw from the Compact, how would that effect federal funding coming in for that specific program?

**Ms. Marchetta:**

The strongest protection for Lake Tahoe is achieved through maintaining these strong partnerships. We work with State and federal agencies and we accomplish everything that we do through a shared-funding system. State, local, federal and private dollars help us accomplish our mission. Without a Compact in place, it is difficult to fund.

**Assemblyman Sprinkle:**

How are the DMV Pollution Control Fund monies actually used to decrease pollution and to keep that environment clean? What are some of the programs utilized by that fund?

**Ms. Marchetta:**

The signature program area is water quality and watershed restoration. We have expended about \$1.6 billion on restoration programs in Lake Tahoe over the last 15 years. Well over half of that has gone to water quality and watershed restoration. The TRPA is also focused on wildfires and forest health as well as recreation based programs.

**Ms. Regan:**

There are 50 different partner agencies at work. Air quality and transportation is one of those focus areas. Air quality and transportation is a critical resource area for Lake Tahoe. What happens on the land and the air actually affects that water quality and the health of Lake Tahoe. Water quality has received the largest share

of funding for all the various programs. Air quality has often come up short. The DMV funds have been essential for us to modernize our air quality monitoring network. A study was commissioned by the Desert Research Institute to develop a new air quality program and reassess where we monitor air quality around the Lake Tahoe Basin by installing new air quality monitoring devices. We are continuing to move forward to make that more robust in implementation. This will be a continued area of emphasis for us.

**Assemblywoman Kirkpatrick:**

At this time are the budgets going to be somewhat separate? If that is the case, how will that affect the bonding that we put in place last Session? To me it is harder to track three things than to track one thing.

**Ms. Marchetta:**

What you are referring to is our association with the Nevada Executive Budget System (NEBS). The TRPA has never been part of the NEBS. As a result we have always been in a position where we have to force fit our budget. It is like jamming "a square peg into a round hole." As a result, some of the data inputs and numbers that the Legislature looks at do not reveal the true picture. We have been working with your Fiscal Staff to allow us to use a line-item approach. This would provide the kind of accountability and reporting that would give the Legislature confidence in how we are spending the money.

**Assemblywoman Kirkpatrick:**

We have a responsibility to Nevada residents to show that both states are contributing their fair share. From my perspective, California has not been quite as receptive as Nevada seems to be to make things work. How are we going to know what the contribution match is now and what the long-term commitment is across both states?

**Ms. Marchetta:**

We are working with Fiscal Staff to ascertain what information you need. Both states are asking us to report on state expenditures separately. We have never broken out our General Fund money by state. It looks like a direction that we now need to go, by request of both states.

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**Mr. Keillor:**

We will provide financial statements on a regular monthly basis to Fiscal Staff which will serve as a regular update in terms of the proportional funding between the states and our actual expenditure of the Nevada monies we receive from the Legislature.

**Assemblyman Bobzien:**

I am concerned that both states are asking you to provide this information. It is an inconvenience to put "the square peg into the round hole." Nonetheless, knowing the overall detail of the expenditures is important to us, hearing that California is looking at performance benchmarks is good news. If I heard you correctly, you want to do something similar for Nevada. I would rather see those in place before we approve this change in how we accomplish budgeting. If this is a long-term process, that is fine. Show us the framework first before you ask us to put it into a line-item format.

**Mr. Keillor:**

We will continue to provide data at a summary level, not an incredibly detailed level. Contract costs, employment costs, benefits and other expenses will all be included and we will regularly review that with your Fiscal Staff. These are the reports that we produce on a regular monthly basis as part of our annual report. It is a matter of not trying to force fit things unnaturally. The benchmarks we are discussing with California are not actually financial benchmarks; they are the performance of the policy initiatives in the Regional Plan and whether that is impacting the threshold.

**Assemblyman Bobzien:**

I am not sold on this "after-the-fact" approach. Show us the framework first. I will need to hear more about this in the coming days.

**Mr. Keillor:**

We will provide Fiscal Staff that data as part of the budgeting process, before the fact. You will have those break-outs.

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**Chair Goicoechea:**

This is a concern for us. We are creating two separate accounts, one for Nevada money and one for all the rest of the money coming in. We need to see where you are spending the money. This is a departure from the norm.

Last Session the Legislature approved S.B. No. 271 of the 76th Session which made adjustments to the TRPA, and now there is a counter measure in the California Legislature, Senate Bill (S.B.) 630. It appears there are competing measures out there.

**Assemblyman Bobzien:**

I would like to hear a report on California S.B. 630. It has always been my concern that we are treating this issue in the "Nevada vacuum" and we need to understand that this is a bi-state issue.

**Ms. Marchetta:**

There are dynamics in both state legislatures and the TRPA leaves legislative matters to the legislators. We have no position on any of these bills and we will remain neutral. I believe California remains committed to the Compact. However, the California State Legislature wanted to take adequate precautions in advance of any possible eventuality of the Compact dissolving. That legislation is a contingency planning measure. For our part, the Compact is still in place and we remain committed to implementing its terms, implementing the Regional Plan and achieving our mandate. That is what we believe best protects Lake Tahoe. We believe the two legislative bodies will work out what is best for Lake Tahoe over the long-term.

**Assemblyman Bobzien:**

What happens if there is no Compact? What do we need to do in the long-term to move the Plan forward?

**Ms. Marchetta:**

Our highest priority is to implement this Plan. The litigation is not having an effect. Every local jurisdiction has now joined the area planning option. I do not see any affect right now. Rather than racing out into the future, which none of us can predict, we are dealing with the reality of the way it is right now. We have five local jurisdictions that are developing area plans. We are providing staff support,

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coordination and collaboration to those local jurisdictions to develop successful plans and to put them in place. The first plan will be coming to our TRPA Board as early as this summer. You will start to see that activity.

**Assemblyman Bobzien:**

Is that the Douglas Plan?

**Ms. Marchetta:**

That is the Douglas County Area Plan.

**Assemblyman Bobzien:**

It is good to hear that is moving forward and that the litigation is having no effect.

**Jeff Mohlenkamp (Director, Department of Administration):**

I want to speak briefly about the change in the TRPA budget methodology because the Budget Division supports the changeover. We also have a bill draft request (BDR) coming forward that is necessary to implement the change in the budgeting process. When you consider California and federal funds, etc., Nevada funds are less than 10 percent of the overall funding that goes to the TRPA. We are going to a block-granting type of process. We expect accountability as we would with the immigration models of Washoe and Clark Counties, and things of that nature. We would expect both financial reporting back to my office and also performance-based funding on what they are accomplishing with the funding that is appropriated to them. The big distinction here is we would not be budgeting them for positions and for certain costs, we would be block-granting. The reporting we would get, even though it is not defined, will be enhanced. Currently, we do not get that performance data. It will be helpful and we support the change.

**Assemblywoman Kirkpatrick:**

What if we disagree with the way they are spending the money? How do we get it back?

**Mr. Mohlenkamp:**

The Legislature always has the ability to authorize continued funding at consistent levels or to increase or decrease it. That does not change in this process.

**Assemblywoman Kirkpatrick:**

When we have given a block grant there was not much ability to go back except for the next time they come to us for the next grant. How do you ensure that we are getting what we need for what is expected from our State? It makes me uncomfortable, especially when we talk about a grant, because grants come and go. This could cause concern that we are not going to fund this for the long-term. Once we have given out the grants, there is no recourse.

**Mr. Mohlenkamp:**

This is an appropriation of State dollars as well as a dedicated funding stream from the DMV. It is not a block grant. It is similar to a block grant in that we are giving the funds, compared to earmarking for personnel and operating costs. They would use those funds to support their overall operation. That funding stream would still come through the Legislature as an appropriation of a dedicated funding stream. That does not change and the continuity of that would be subject to the Governor and the Legislature going forward and continuing that funding as it always has. That does not change. I understand the concerns about reporting and having a structure to understand where our money is going. The Budget Division believes those concerns are valid, and we want to work with you.

**Assemblyman Bobzien:**

I understand and appreciate your stance on many of the issues. This one concerns me and maybe this is better as a conversation for next biennium. This is already a complex-enough budget for us and I understand you are trying to streamline and reduce the complexity. This is important to the Legislature and that is why we have these hearings. To step away from that and call it a quasi-block grant, I am not in agreement yet.

**Chair Goicoechea:**

We will move forward with the State Historic Preservation Office (SHPO), B/A 101-4205.

INFRASTRUCTURE

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Budget Account 101-4205

**Leo M. Drozdoff, P.E. (Director, State Department of Conservation and Natural Resources):**

Rebecca Palmer, Acting Administrator of the Office of Historic Preservation, is here to discuss the State Historic Preservation Office and the Comstock Historic District Commission.

DCNR - Historic Pres - Comstock Historic District — Budget Page DCNR-24  
(Volume III)  
Budget Account 101-5030

**Rebecca L. Palmer (Acting State Historic Preservation Officer, Deputy State Historic Preservation Officer, Office of Historic Preservation, State Department of Conservation and Natural Resources):**

The Office of Historic Preservation has a combined mission statement with the Comstock Historic District Commission which is described on page 2 of our presentation ([Exhibit D](#)), entitled "Senate-Assembly Joint Natural Resources Budget Subcommittee March 14, 2013 – Historic Preservation." The Office of Historic Preservation has three offices in the State. At least one office is open every day of the week for visitors and members of the public. We have 12 full-time equivalent (FTE) positions in the combined agencies, including professional archeologists, architectural historians and historians. These positions are required in order to maintain our federal grants.

Page 3 of [Exhibit D](#) is a pie chart depicting revenue by funding source. The amount of \$1,502,092, or 56 percent of revenue, is from a federally mandated and funded program that allows for local review of federal projects, everything from transportation projects to low-income housing.

Page 4 of [Exhibit D](#) is a pie chart depicting expenditures by category. The Marker Maintenance funds come from the NDOT and we are grateful for those funds. Those funds allow us to maintain our existing markers. However, these grants do not allow for the creation of new markers or the replacement of outdated marker text plates.

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Page 5 of [Exhibit D](#) shows a graph of the budget changes for these two budget accounts from fiscal year (FY) 2008-2009 through FY 2014-2015. The SHPO General Fund budget appropriation is flat and slightly reduced from our FY 2007-2008 level. The Comstock Historic District Commission has been restored to a level slightly below FY 2007-2008.

Page 6 of [Exhibit D](#) describes two small enhancement units, E-805 in B/A 101-4205, and E-805 in B/A 101-5030.

E-805 Classified Position Reclassifications — Page DCNR-22

E-805 Classified Position Reclassifications — Page DCNR-26

Decision unit E-805 in B/A 101-4205 is a reclassification of the historic preservation specialist II to a historic preservation specialist III position. This recognizes the increased supervisory and management requirements of the position that have come from a recent reorganization of our program areas. This position also supervises and administers the Nevada Cultural Resource Information System program which is a crucial program for facilitating planning and economic development in the State.

**Chair Goicoechea:**

Give us some highlights on the SHPO and the Comstock Historic District.

**Ms. Palmer:**

Enhancement unit E-805 in B/A 101-5030 funds the increase FTE status of an administrative assistant I position from a 0.15 FTE position to a 0.50 FTE position.

**Ms. Palmer:**

Prior to the 2009-2011 biennium, this position was funded as a 0.51 FTE with benefits. During the fiscal crisis, Governor Jim Gibbons recommended the position be eliminated. During the 2009 Legislative Session, the Legislature did not approve the Governor's recommendation, but instead restored the position at a reduced level of 0.15 FTE, rather than the existing level of 0.51 FTE.



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**Chair Goicoechea:**

Why is the administrative position being restored now at a 0.50 FTE position without benefits rather than a 0.51 FTE position with benefits? Is there any rationale for that?

**Ms. Palmer:**

The 0.50 FTE position is what we were anticipating would be necessary to accommodate public access for the Comstock Historic Commission.

**Chair Goicoechea:**

There are no benefits with that position, is that correct?

**Ms. Palmer:**

Yes.

**Chair Goicoechea:**

Is this a cost savings?

**Ms. Palmer:**

Yes, there is a cost savings.

**Chair Goicoechea:**

Let us move on to B/A 101-4162.

DCNR - State Parks — Budget Page DCNR-50 (Volume III)  
Budget Account 101-4162

**David K. Morrow (Administrator, Division of State Parks, State Department of Conservation and Natural Resources):**

The mission of the Division of State Parks is to develop and maintain a system of parks and recreation areas for the use and enjoyment of residents and visitors. The Division also preserves areas of scenic, historic and scientific significance in Nevada. There have been State parks in Nevada since 1935. The Division's main headquarters is located in Carson City and there are two regional offices, one in Fallon and the other in Las Vegas. The Division has 93 permanent employees and 137 seasonal positions that provide services to over 3 million visitors. If approved, there will be \$4,213,381 in General Fund appropriations, and \$8,160,609 in

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non-General Fund money in FY 2013-2014. The budget for FY 2014-2015 is very similar except in FY 2014-2015 the budget has more fees than General Fund appropriation. It is important to note that General Fund requests in FY 2013-2014 and FY 2014-2015 represent approximately 33 percent of the total budget, down from 55 percent in FY 2007-2008 and FY 2008-2009.

Page 4 of our presentation titled "Senate-Assembly Joint Natural Resources Budget Subcommittee – State Parks" ([Exhibit E](#)) shows previous budget reductions. Since FY 2007-2008 the Division has cut just over \$7.5 million from its budget, including the loss of 18 FTE positions. That represents approximately 60 percent of the General Fund allocation. We are proud of the fact that with those cuts we have been able to maintain the operation and keep parks open which was our goal. Fortunately, the current budget does not include any further cuts. In fact, some increases are recommended.

There are 15 deferred maintenance projects under decision unit M-425.

M-425 Deferred Facilities Maintenance — Page DCNR-53

Some of those maintenance projects are: the replacement of a vault toilet at Fort Churchill State Historic Park; domestic water supply at Spring Mountain Ranch State Park; and day use improvements at Cave Lake State Park and Lake Lahontan. There are 14 pieces of critically needed one-shot equipment which will cost \$371,023.

The capital improvement program (CIP) includes Project No. 13-M37 and Project No. 13-M53.

Project No. 13-M37 – Power Service Upgrade (Spring Valley State Park)

Project No. 13-M53 – Rehabilitate Historic Building (Old Las Vegas Mormon Fort Park)

Project No. 13-M37 is a power supply upgrade at Spring Valley State Park for \$1,625,362 that would replace 4 miles of underground line that has failed three times in the last 2 years; and Project No. 13-53 is the rehabilitation of

a historic adobe building at Old Las Vegas Mormon Fort State Historic Park at a cost of \$159,583.

We have identified \$19 million in critical unfunded projects.

Page 5 of [Exhibit E](#) contains pie charts of the expenditures and revenues for State parks. The amounts General Fund appropriation and fees collected in parks are similar in FY 2013-2014. In FY 2014-2015 fees comprise a greater part of our revenue. Fees have increased by approximately 35 percent over the last few years. The largest expenditures in our budget are for salaries, at just over \$8 million.

On page 7 of [Exhibit E](#) is a chart showing the activity budget. As part of the budget process, we analyzed our budget and identified major activities and how much of the budget was connected to each activity. We divided the budget into three major activities: develop, operate and maintain a statewide system of parks, trails and historic areas; administer federal grants program; and support activities. Nearly 82 percent of the budget is for the operation and maintenance of State parks.

Decision unit E-225 eliminates a conservation staff specialist III position which is currently vacant. The duties and responsibilities of that position will be transferred to a parks and recreation planner position along with some of the funding.

E-225 Efficient and Responsive State Government — Page DCNR-53

Decision unit E-226 is for 12 credit card terminals for the payment of park fees. The terminals will be located in parks where the infrastructure is already in place.

E-226 Efficient and Responsive State Government — Page DCNR-54

Decision unit E-227 will allow the deputy administrator in addition to the administrator to attend the National Association of State Park Directors conference.

E-227 Efficient and Responsive State Government — Page DCNR-54

Decision unit E-350 would provide a sunhat for the lifeguard's uniform allowance at Lake Tahoe Nevada State Park.

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#### E-350 Safe and Livable Communities — Page DCNR-54

Decision unit E-710 would provide replacement of seven different pieces of equipment that is outdated and worn out.

#### E-710 Equipment Replacement — Page DCNR-56

Decision unit E-711 will replace 57 personal computers, 5 laptop computers, as well as software. Currently, 83 percent of the Agency's computers are over 5 years old and 36 percent are over 8 years old.

#### E-711 Equipment Replacement — Page DCNR-56

Decision unit E-720 would be for the purchase of a small boat for emergency responses and maintenance at the Colorado Bend State Park.

#### E-720 New Equipment — Page DCNR-57

Decision unit E-750 requests funds to send one person to the annual conference of the National Association of State Outdoor Recreation Liaison Officers.

#### E-750 Budget Restorations — Page DCNR-57

Decision unit E-751 would restore funding for the Division to conduct a biennial training academy. This is one of the only means we have to bring everybody together and train them.

#### E-751 Budget Restorations — Page DCNR-57

Decision unit E-752 restores a maintenance specialist III position in the southern region.

#### E-752 Budget Restorations — Page DCNR-58

A few years ago we were faced with major cuts. We eliminated 18 positions. As hard as we tried, and as much planning that went into it, the loss of this position has severely impacted our Agency and we need to restore it.

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Page 10 of [Exhibit E](#) describes our gift shop sales outlets. In 2011, S.B. No. 442 of the 76th Session encouraged the Division to explore various entrepreneurial efforts to generate revenue in order to help fund education and interpretation in State parks. Since approval of that legislation, we have established five gift shops, at Valley of Fire State Park, Old Las Vegas Mormon Fort State Historic Park, Spring Mountain Ranch State Park, Lake Tahoe Nevada State Park and the Panaca Visitor Center. It has been challenging. We initially had problems with the sales and inventory tracking system which required us to change vendors and replace that system. It has taken us some time to determine where we could actually afford seasonal employees and where we needed to count on existing staff or volunteers. It has also taken us time to realize what items in each park would sell the best. Although we are not able yet to fund the programs that we would like to fund, we are generating more revenue and showing significant improvement. I am optimistic that this program will be highly successful in the future.

**Chair Goicoechea:**

Are the sites where the stores are located the ones where the credit card terminals are being installed?

**Mr. Morrow:**

No, they are not. There are credit card terminals in all of those sites already. The credit card terminals will go into other park sites. The more we can expand the terminals in State parks, the easier it is for our visitors.

**Chair Goicoechea:**

Is all the infrastructure in place in the sites you are putting the credit card terminals into? It will cost us approximately \$11,000 to put those additional terminals in and an additional \$6,000 the following year. I am not sure why you decided on these locations. Was it foot traffic, or where people were requesting to use credit cards?

**Mr. Morrow:**

Yes, all the infrastructure is in at each one of those sites. The demand at these sites was the highest and we also had the infrastructure at those sites to accommodate that type of device.

Page 11 of [Exhibit E](#) shows sponsorships and contributions. We have worked hard for the last few years to increase sponsorships and contributions to State parks.

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We are proud that we are starting to be successful at that. We received \$25,000 from Raley's for a reusable grocery bag program. That \$25,000 will replace picnic tables at Lake Tahoe Nevada State Park, Sand Harbor. We worked with AAA Northern California, Nevada and Utah on a road trip program and, as a result, they donated \$20,250 to the Division. We also received \$50,000 from the Jack Van Sickle Foundation to help offset the costs of operating the Van Sickle Bi-State Park.

Page 12 of [Exhibit E](#) describes our challenges moving forward. During the last biennium we were able to secure a grant from the federal Bureau of Reclamation to fund 50 percent of the costs of operating Lake Lahontan and Rye Patch State Recreation Area. That agreement was for \$250,000 in each year of the last biennium and enabled us to keep Lake Lahontan and Rye Patch open and operating. Although an agreement was established to go through the next biennium, the federal budget issues are creating some problems and there is some uncertainty as to whether that money will continue.

Despite the funding that is included in this budget, deferred maintenance is always an issue for us and will continue to be an issue in the next biennium. With a \$50,000 grant from the Jack Van Sickle Foundation and help from the Lake Tahoe Rim Trail Association we were able to open the Jack Van Sickle Bi-State Park on a very limited basis. It has become very popular both winter and summer. It is becoming very difficult for us to maintain the operation of that park.

Page 13 of [Exhibit E](#) shows performance indicators. We have struggled over the years to develop measures that adequately track our performance. Several performance measures used in the past were inadequate and some were difficult to interpret. We have developed several performance measures that we feel accurately measure the Division's performance.

**Chair Goicoechea:**

When will you know whether the Bureau of Reclamation money will be reduced by \$250,000 or will it be completely suspended?

**Mr. Morrow:**

We are working with the Bureau right now and unfortunately, like all the issues going on with the federal budget, they are unable to give us an answer. We have

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the support of their Nevada office, and, we believe the support of their regional office, to fund those projects again. We have gone back to them and are making some changes in the grant.

**Assemblywoman Kirkpatrick:**

Do we have a contract in place so the credit card fees are secure for a while? Typically, we have to get a vendor and a contract so that the fee does not change.

**Mr. Morrow:**

We are using a State-approved vendor for credit card machines and those numbers are set. We do not charge a credit card fee to the user, as we absorb those costs. We do this as a convenience for park visitors.

**Assemblywoman Kirkpatrick:**

I want to make sure we have a contract in place, because when we first started using credit card machines at the DMV we were losing money. State parks are a quality-of-life issue, as far as I am concerned, and we need to make sure we can keep them open. I want to make sure that we have long-term stability for those fees. I will contact the State Purchasing Division regarding the length of this contract.

Additionally, there are two bills that have significant impact on your budget, such as Assembly Bill (A.B.) 58 which would require the Division of State Parks to offer free annual passes to certain disabled veterans, and Senate Bill (S.B.) 121 which would allow the State Land Registrar to transfer ownership of the Belmont Courthouse to Nye County. Have those bills been factored into your budget for the long-term?

**ASSEMBLY BILL 58**: Revises various provisions relating to veterans. (BDR 37-303)

**SENATE BILL 121**: Authorizes the State Land Registrar to transfer the Belmont Courthouse to Nye County. (BDR S-268)

**Mr. Morrow:**

Yes, we have worked closely with the Nevada Office of Veterans' Services. There will be a \$10,000 to \$12,000 impact to the Agency which we are willing to absorb. We feel it is important for veterans to be able to use State parks.

Additionally, we are concerned about a BDR that will provide an opportunity for disabled veterans to name parks, roads and different things in the State after disabled veterans. We are not concerned because we do not think there should be mechanisms to honor disabled veterans, but the names of Nevada State parks have been in place, some since 1935, and they are a big factor for us in marketing. People all over the world know of the Valley of Fire State Park and Lake Tahoe Nevada State Park, Sand Harbor and many other locations where we have State parks. We would be very concerned about the names of those parks changing. We would work with any of those groups to find ways to honor our veterans and be happy to do that, but we would be opposed to changing the names of State parks.

**BDR 27-853**: Creates the Citizen Commission on Veterans Memorials. (Later introduced as S.B. 174.)

**Assemblywoman Kirkpatrick:**

If the Belmont Courthouse is transferred will that be a savings to the Division of State Parks?

**Mr. Morrow:**

It does not provide much of a savings because we had very few, if any, expenditures at the Belmont Courthouse. We support that transfer. It is the right thing to do. It originally belonged to Nye County. Nye County gave it to the State and we tried hard to maintain it and keep it up. We just were not able to put much money there. We think it is better for Nye County to have it and fund it. There is no real savings for us to do so.

**Assemblyman Grady:**

Last Session, there were discussions regarding the possibility of closing the Lahontan State Recreation Area which is in my district. Do you have a backup plan if your funding does not come in? There was also discussion regarding whether to transfer most of the recreation area to the Lyon County Sheriff's Department. I know their local budget is being cut severely. What is your plan to keep the park open?

**Mr. Morrow:**

I wish I could tell you I have a good backup plan. Transferring the Lahontan State Recreation Area to any other agency would be very problematic. It is by far the



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most intense law enforcement situation we have in the State. It takes a great deal of effort to manage. I do not think any other agency is capable of doing that.

**Mr. Drozdoff:**

We wanted to put this information in our exhibit to make you aware of it. The possibility that it will happen is very small, perhaps even remote. The Division of State Parks is uniquely qualified to manage and run that park. We are going to continue all efforts to stay involved. We wanted to bring it to your attention just because it is an issue, but, at this point, trying to put together a backup plan would further confuse the issue.

**Chair Goicoechea:**

Will the maintenance specialist II position in the southern region in decision unit E-752 be adequate?

How will duties of this position differ from the other maintenance specialist III in the southern office?

**Mr. Morrow:**

Yes, the addition will enable us to handle the preventive maintenance in the southern region. We were fortunate to hire a well-qualified person to be in charge of the maintenance in that part of the State. We are much better at conducting preventative maintenance, but we just did not have enough personnel. We are also using all the maintenance personnel jointly, whether they are in parks, or in the region, to perform some of the bigger projects. This has enabled us to do a far better job.

**Mr. Drozdoff:**

I continue to get notes from the public about their positive experience and you heard some of their "can do" spirit. These individuals are excited about what they do and make dollars go further than any agency I have ever seen.

**Pete Anderson (State Forester, Division of Forestry, State Department of Conservation and Natural Resources):**

It has been a busy 2 years for the Nevada Division of Forestry (NDF) in all of our program areas. I will now discuss B/A 101-4194, the Wildland Fire Protection Program (WFPP). Wildland fire continues to impact much of our range lands,

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woodlands, forests and is a foundational component in many of our natural resource issues. As the Division continues our transition out of All-Risk emergency services in our remaining *Nevada Revised Statutes* (NRS) 473 fire districts and focuses on wildland fire statewide, we will be better positioned to manage wildland fire into the future.

DCNR - Forestry - Wildland Fire Protection Prgm — Budget Page DCNR-95  
(Volume III)  
Budget Account 101-4194

On page 2 of our presentation ([Exhibit F](#)), "Senate-Assembly Joint Natural Resources Budget Subcommittee - Forestry," you will find our mission statement. I cannot be prouder of our many dedicated employees who not only epitomize our mission statement, but also put their personal lives on hold for months at a time to protect the natural resources of our State. The NDF provides critical services throughout the State on a daily basis. We strive to provide those services in an efficient and cost-efficient manner.

Page 3 of [Exhibit F](#) illustrates our other budget accounts, B/As 101-4194; 101-4195; 101-4196; 101-4198 and 101-4227.

DCNR - Forestry — Budget Page DCNR-84 (Volume III)  
Budget Account 101-4195

DCNR - Forest Fire Suppression — Budget Page DCNR-97 (Volume III)  
Budget Account 101-4196

DCNR - Forestry Conservation Camps — Budget Page DCNR-100 (Volume III)  
Budget Account 101-4198

DCNR - Forestry Inter-Governmental Agreements — Budget Page DCNR-105  
(Volume III)  
Budget Account 101-4227

There is a small increase in our General Fund allocation and a significantly larger increase in our non-General Fund due to the WFPP. The lower chart reflects our

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Agency alignments with Priorities and Performance Based Budgeting and our core functions.

Page 4 of [Exhibit F](#) reflects the NDF revenue for FY 2013-2014 and FY 2014-2015. The line graph charts our appropriation history from FY 2007-2008 through FY 2014-2015. Federal grants play a key role in our operations, as well as the State Parks, and we will be monitoring closely any changes at the federal level.

On page 5 of [Exhibit F](#) our expenditures are illustrated. The WFPP is the largest expenditure going forward.

Page 6 of [Exhibit F](#) describes the NDF transition. The NDF assessed its numerous programs and refocused our core mission. This resulted in a transition deadline for our All-Risk emergency services back to their respective counties. Significant progress has been made and work continues through regular meetings, agreement developments and needs assessments. The transition schedules are established and key tasks are being completed.

Page 7 of [Exhibit F](#) describes the WFPP. This is a new approach to managing wildfire in our State. There are many dynamics and complexities to wildfire management, not just here in Nevada, but in the West and nationally. Without a management change, I fear the continued loss of native vegetation, critical wildlife habitat and severe impacts to our agriculture producers will not only continue, but may increase. The Division is proposing a much more comprehensive approach that is built on strong partnerships with our counties, communities and our many fire districts through a year-round program that strengthens fire prevention, fuels reduction projects, fire suppression and rehabilitation of fire damaged lands. The program is voluntary, it is risk based and brings all of our combined resources together to improve the initial attack of wildfire ignitions, suppressing them when they are still small.

We are experiencing a lengthening wildfire season with fire intensity expanding. No single entity has the capacity to manage wildfire alone. The WFPP brings our resources together in a much more efficient and effective manner. The role and responsibilities of our federal land managers remains critical as a component of wildland fire management in our State. When we have those periods of multiple, large wildland fires, problems are bound to occur. The WFPP will improve the

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current level of coordination with the federal land managers. It will improve our cost-share agreements and suppression decisions and will be strengthened and clarified for all involved.

In decision unit E-350, the NDF is requesting the addition of a pilot to maximize utilization of our aircraft for Statewide wildfire suppression.

#### E-350 Safe and Livable Communities — Page DCNR-95

This position will provide the ability to fully utilize all three of our helicopters and move them throughout the State with the wildfire season, as well as utilizing them for fuels reduction and rehabilitation projects.

Page 8 of [Exhibit F](#) further discusses the WFPP. Currently the Division brings staff, equipment, and expertise to wildfire management. The WFPP will bring additional resources with the ability to develop a modular approach to completing fuels projects and the pre-positioning of resources during those high fire danger times. The modules will be comprised of bulldozers, engines, hand crews, etc., to meet the needs and identify the risks for each of the given counties. Those modules are then available to be pre-positioned around the State based upon wildfire conditions or for the implementation of a variety of projects.

#### **Assemblyman Sprinkle:**

Could you explain the change in philosophy of the direction of the Forestry Division from the All-Risk of the past, to where you are going now and elaborate on why this will be a benefit to the local jurisdictions?

#### **Mr. Anderson:**

Approximately 6 years ago, several of the All-Risk, NRS 473 fire districts began to transition back to the counties. This was a logical move because of development along the urban interface. Much of the lands that the Division has historically protected from wildfire in those areas are now concrete and fire hydrant provided. Working with the East Fork Fire Protection District in Douglas County, Washoe, Carson City and White Pine counties all have transitioned and moved to All-Risk as a county function. They are equipped in completing that function. We still have All-Risk fire districts in Elko and Eureka and a portion of Mt. Charleston. Again, this is a county function.

When we looked at our mission 2 years ago and refocused and prioritized where the Division should be, wildland fire became a top priority. Wildland fires have now changed from a 1 month to a 2- or 3-month endeavor every year. We did not have the magnitude, intensity and number of fires that we are now experiencing across our State. Much of our range lands have been converted to annual grasses, for example, cheat grass in the north and red brome in the southern portion of the State. We are seeing tremendous impacts to our natural resources. The impacts are also reflected in the issues with Nevada's endangered sage grouse. The NDF is much better equipped and trained and have the expertise to deal with wildland fire on a Statewide basis than in an All-Risk arena.

**Mr. Drozdoff:**

I agree. I have an interesting perspective from participating in these discussions over the last 6 years, and as director for the last 3 years. Local fire districts and counties have expressed their need to have a better understood and consistent presence when it comes to wildland fire. This is a natural progression. It will benefit the local governments in many different ways especially by having a holistic State approach, where resources can be shifted and moved throughout the State based on factors, as opposed to trying to move them gradually by county which is what has happened in the past. There is no secret that federal agencies are going to be more interested in sharing the costs of fighting fires. Many of our small counties are receiving large fire bills right now. We have requested an additional pilot position, which will give us two pilots, plus a seasonal position that will allow us to have greater air capacity. That is something that would be welcomed, and the ability to work within the fire suppression account and have coverage if they chose to participate.

**Chair Goicoechea:**

You have 17 permanent positions coming onboard. Where will those positions be based? Please give us an overview of the 12 seasonal positions.

**Mr. Anderson:**

This is new territory for us. We are in a transitional period. We completed a detailed risk assessment of the wildfire potential for each of the counties in the State. Some counties have low wildfire concerns and issues, such as Mineral and Esmeralda Counties. Other counties have large wildfire concerns such as Elko and Eureka Counties. Staffing and equipment are tied to those fire districts. The module

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approach will allow us to move those resources around. We will have to make adjustments as more counties join the WFPP.

**Chair Goicoechea:**

It is confusing right now because this is all brand new. Is there more interest in this program than you anticipated?

**Mr. Anderson:**

We were conservative in our initial assessments and our initial planning, because we were not sure how the counties would react. We have visited with 13 counties and have had great discussions with all of them. There are opportunities for counties such as Humboldt or Lander to change the dynamic that they now have on private land. We have to keep in mind that federal agencies are managing the majority of the land in our State. We want to have a focused voice, we want to have a single point of contact to work with these agencies and this "shotgun" approach is hurting us in management.

**Chair Goicoechea:**

Is there a projection of approximately \$3.6 million that the WFPP will receive from county assessment revenue?

**Mr. Anderson:**

Correct.

**Chair Goicoechea:**

If they join the WFPP, how much protection does this give the counties regarding the exposure to those \$50,000 and \$100,000 fire bills that are occurring in those small rural departments? Can you briefly explain how this is an insurance policy for them?

**Mr. Anderson:**

Historically, B/A 101-4196 has been limited to the established NRS 473 fire districts. Most of our rural counties do not have the resources that partnership of the NRS 473 fire district afforded. What the Division can bring to those counties is the initial attack capacity through this new program. When the fire season begins in the southern portion of the State, we will, as an example, position a helicopter down there when we go into extreme fire danger and will be ready to respond to

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fires and put them out on State, private and federal land. It will give the counties the assurance that we are going to strengthen, not just in the area of fire suppression, but by prevention, fuels reduction and rehabilitation after the fact.

In the last 10 to 15 years, we have seen three and four fire occurrences on the same piece of ground. We literally have no native vegetation left. We have to take a proactive approach. The counties will have the insurance policy of B/A 101-4196 when fires do become large, but they will also have the stability of knowing that the WFPP will be there to help them with cost-share agreements, and by making sure the federal government does not take advantage of any smaller county. We are placing our resources in the areas where they are needed the most in order to keep these catastrophic fires suppressed.

**Chair Goicoechea:**

The biggest point of the insurance policy is, if a fire starts on private property and the WFPP is there fighting that fire, the program gives you protection if it spreads to public lands so that the counties do not receive those large fire bills.

**Mr. Anderson:**

Yes. Basically every fire in the State is a cost-share agreement at this point. They are multi-jurisdictional fires. They can be federal, county, State or private.

**Chair Goicoechea:**

Who receives the fire bill?

**Mr. Anderson:**

This program would provide the assurance that the fire bills will go through the WFPP.

**David Prather (Deputy Administrator, Division of Forestry, State Department of Conservation and Natural Resources):**

Page 9 of [Exhibit F](#) shows there are three decision units associated with wildland fire. The first decision unit is E-350 in B/A 101-4194 which sets up the account that will house the program.

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The second decision unit is E-350 which is in B/A 101-4195. This is a "make-whole" request that will replace funding associated with FTE positions that are partially allocated to the departing All-Risk fire districts.

E-350 Safe and Livable Communities — Page DCNR-88

The third decision unit is E-350 which is in B/A 101-4196. This is a request to balance forward up to \$250,000 of forest fire reimbursement revenue per year for unanticipated repairs of emergency firefighting vehicles and equipment.

E-350 Safe and Livable Communities — Page DCNR-98

**Chair Goicoechea:**

The 17 positions will be strategically placed, but where will you put those positions geographically?

**Mr. Prather:**

In the northern region there are 9 FTE positions and 13 seasonal positions. In the western region there are 12 FTE positions and 19 seasonal employees and in the southern region there are 4 FTE positions and 4 seasonal positions, all tied to various models.

**Chair Goicoechea:**

What is the total number of FTE positions in B/A 101-4194?

**Mr. Prather:**

There are 30 total FTE positions and 39 total seasonal positions.

**Chair Goicoechea:**

When will you have this program up and running?

**Mr. Anderson:**

We hope to start signing agreements beginning July 1. We have conservatively estimated the magnitude. I think it will be a little greater.



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**Chair Goicoechea:**

Do we only have three All-Risk counties remaining? Will there be a lapse in coverage if we have an early fire season?

**Mr. Anderson:**

The transition over the next 12 to 18 months will be fluid. Eureka County, for example, would not make the transition until we are out of fire season. We already have wildland fire protection responsibilities in Eureka County. You will not see changes on the ground, per se. There will be a transition period that fills the gaps in coverage until we get the core fire districts signed up.

**Chair Goicoechea:**

Elko County and Mt. Charleston in Clark County, both in my district, do not wish to move at all. I understand Eureka County will move over in January 2014. When will Elko County and Mt. Charleston move ahead?

**Mr. Anderson:**

We have a tentative transition date of January 2015 which would give them about a 6-month window before the deadline. They would like to do this outside of fire season. They have retained professional assistance to guide them through the formation of a fire district. Elko County is probably the most complex. There is no existing fire district that can absorb them, like some of the other counties that have transitioned. They are starting from scratch. I anticipate agreements for equipment, and with our dispatch center, so there is a smooth transition. We are all working on it together. Things are progressing.

**Chair Goicoechea:**

In all reality, will it be the start of fire season 2014 before those counties have transitioned over?

**Mr. Anderson:**

I do not anticipate Clark or Elko Counties transitioning out of the All-Risk category before January 2015.

**Chair Goicoechea:**

Will you report back to the Legislature and let us know how things are progressing?

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**Mr. Anderson:**

Yes, we will provide quarterly reports to the Legislature so that you are aware of how the transition is progressing.

**Chair Goicoechea:**

We, as a Committee, need to address whether we are going to have them come back to the Interim Finance Committee (IFC) or where they should submit these reports. It is a broad move and we need to know what is happening.

**Mr. Drozdoff:**

I agree. It is a big move. We would not be here if we did not think it was the right move. There are a lot of moving pieces. We would be happy to go wherever you want us to go. We can report what we are hearing, with whom we have signed agreements and when we are hiring people.

**Chair Goicoechea:**

If you will not start signing and billing the assessments to the counties until after July of this year, will there be a "hole" in coverage? Do you have the funds available? I know you have a couple of accounts for \$250,000, but that will not cover the costs. The Legislature needs to know the budget right now, so that we can make that expenditure on July 1. You must have those checks by July 1 if you are going to continue to function.

**Mr. Anderson:**

Yes, I think each county will be a little bit different and we are working very closely with them so that there is no "hole" in the process. Storey County is already hiring its seasonal employees, so that it is a seamless, smooth transition to the new program. It will be a county-by-county negotiated approach, but I do not anticipate any large "holes." If anything, we will be able to bring additional resources to the counties as we go forward.

**Mr. Drozdoff:**

This is a new program. We think we are doing it in such a way that any of the transitions out of B/A 101-4173 will occur after these programs are up and running. I do not anticipate there will be any "holes." I think we will see additional resources starting July 1. These transitions will be orderly and they will occur after we have these signed agreements. If 13 counties want to sign on July 1, then that

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may be a little bit faster than what we discussed and we will need to work with what is reasonable. We will sign the agreements with the counties that are interested, presumably those counties we have relationships within B/A 101-4173 and then we will transition out of B/A 101-4173. It will be orderly, after those agreements are signed.

DCNR - State Lands — Budget Page DCNR-124 (Volume III)  
Budget Account 101-4173

**Chair Goicoechea:**

I am concerned because this transition will take place right in the middle of fire season or what potentially could be the fire season.

**Mr. Anderson:**

Elko, Eureka and Mt. Charleston have wildland fire partnerships with the NDF on both All-Risk and wildland fires. Nothing changes until they are ready to make the transition. This summer will be business as usual. Our seasonal employees will be there. There will be no change in the level of service for Elko, Eureka or Mt. Charleston. As we add other counties, we will be adding those modular resources to meet the risk of the county based on the assessments we completed. I do not see any opportunity for a crisis in July. Once we start hiring, we will actually have more combined resources available to respond.

**Chair Goicoechea:**

I am most concerned with the counties that have not had your true presence there, such as Humboldt County.

**Mr. Anderson:**

They will continue to have their existing level of service until we can get our program up and running.

**Chair Goicoechea:**

It appears you have an unspent reimbursement of \$250,000. How are we transferring this unspent vehicle reimbursement to the WFPP agencies? Are you trying to create a reserve account in B/A 101-4196?

**Mr. Prather:**

Yes, that is what we are trying to do. With the fire reimbursements we are able to separate the costs of our equipment and vehicles. We are asking to balance forward those funds to accomplish some of those repairs that would go to support. There is no equipment of any type in this WFPP budget. We just need the money to be able to address unforeseen circumstances that occur.

**Chair Goicoechea:**

I understand you cannot know what is going to break down. Was any unspent vehicle maintenance funding reverted to the General Fund at the end of FY 2011-2012?

**Mr. Prather:**

We did have a reversion in FY 2011-2012. We are not tracking that revenue, as it is personnel versus equipment. It is all coming in as one category. What we are proposing is that this be separated so we can track those individually so we would know how much of that reversion would be attributable to the billings from vehicles and equipment.

**Chair Goicoechea:**

Fiscal Staff is not concerned whether it is separate or together, it is just the balance forward and how it is happening that we are concerned about in this budget.

Why have Carson City and Storey County chosen to dissolve their NRS 473 accounts or districts?

**Mr. Anderson:**

It is the growth and development of our State. The role of All-Risk emergency responses rests with local governments and how they want to manage their levels of service. I think it is much more effective and efficient if there is a single department responsible for All-Risk emergency services and the NDF focuses on wildland fire.

**Chair Goicoechea:**

Do you know when Elko and Clark Counties will accept? Do you anticipate going through at least two more fire seasons with them?

**Mr. Anderson:**

Correct, the tentative date of transfer is January 2015, which is 6 months ahead of the deadline.

**Assemblyman Sprinkle:**

The county assessments are funding a big part of this. Can you explain why this truly is a benefit to the local jurisdictions? I am not sure everybody in this room or on this Subcommittee understands what an initial attack is. Please discuss that in more detail, because I think that is a fundamental piece of what you are trying to do here and it is a good incentive for the local jurisdictions to join this program.

**Mr. Anderson:**

This past fire season, for example, Humboldt County had two very large wildfires that impacted their county. These fires encompassed both private and federal land. However, Humboldt County is a small fire district and now they are receiving fire bills of a magnitude greater than their annual budget. That puts that local jurisdiction in a tough bind whether it is a fire district, a community or a county. Through this program, we will be able to provide those districts in the county access to our emergency account for those fires that escape initial attack. Our goal is to keep these fires small and put them out with a strong initial attack, augmented by fuels projects up front so we have healthier range lands, woodlands and forests. A healthy forest or rangeland does not burn rapidly like an unhealthy overgrown, overstocked forest. We try to address all of those factors in the program. It is an insurance policy through a partnership and an agreement that we will visit biannually with each of the districts and the counties as things evolve over time. We will be reducing risk through proactive treatments on the ground and at the same time provide that umbrella, for the fire district in McDermott, or Orovada, that truly has limited resources, yet is faced with significant costs if they have a large fire.

**Assemblyman Sprinkle:**

If the State is going to be providing this insurance contract and we have a major fire that becomes very costly, how will that affect the State budget? Should this be a concern of ours when we are looking at taking this on, versus your ability to go to the federal government for reimbursement?

**Mr. Anderson:**

Foundationally, the State has the risk now. Some of the largest and the most fire occurrences arise in the districts that we currently have. Pioche, for example, had a devastating fire within the community, primarily on private land and Lincoln County did not have the resources to pay the federal agencies. We were fortunate to get a Fire Management Assistance Grant (FMAG) approved with the Federal Emergency Management Agency which is one of the tools we have to help offset costs. That was an immediately qualifying event. Multiple structures were threatened at the time. They were not in an NRS 473 fire district, and did not have the resources to pay the match for that FMAG. They had to go back to the IFC for a couple of years to figure out how to deal with that situation. In the end, the Legislature approved the funding. As a State we have the risk now. What we are trying to do is better manage that risk, and reduce that risk over time.

**Pat Whitten (County Manager, Storey County Board of Commissioners):**

We want to express full support of the WFPP. We have been working toward a more flexible, adaptable program that meets not only our needs, but the needs of others throughout the State. We have analyzed pulling out of the NRS 473 model for many years. Our cost to join the WFPP will be \$150,000, which is money well spent in order to have the resources and the expertise that the NDF brings to the table.

I have never worked with a finer State agency. One of our problems with the State has been that we cannot get enough flexibility. We may need five 8-hour shifts, while the State works on four 10-hour shifts. This program gives us the flexibility.

We are beginning to advertise and recruit for our own seasonal employees with the NDF money until June 30, at which time, if this is approved, we will transition over to the WFPP. It is seamless, it is smooth, it is flexible. Storey County, for the most part, has adequate equipment. We have infrastructure, command staff and stations in place. This program allows us to do what we think we do best, which is to provide the initial attack. Depending on the time of day and location we put out many fires before the NDF is able to muster a full response. This allows us to partner with NDF and we fully support it. We want to go forward on July 1, or sooner rather than later.

**Michael D. Brown (Fire Chief, North Lake Tahoe Fire Protection District):**

The North Lake Tahoe Fire Protection District (NLTFPD) is one of the NRS 474 fire districts that has not had the ability or opportunity to participate in some of the accounts that Nevada has available if a catastrophic incident should occur. A lot of work has been done with this program. Pete Anderson and his staff have solicited our questions and they have allowed us to critique the program and provide input. The NLTFPD is very supportive of this. Wildfire will be recurring; it is part of nature. Wildfire can be good if it is utilized as a tool. Often, we hear about the effects of fire in a negative manner. The NDF works with several fire departments to cooperate, educate, plan and try to forecast what will take place throughout the State to attempt to keep these fires small and out of the catastrophic phases. Few departments are doing this. With this program, the NDF will be able to reach the entire State. This will be a success.

Because people want to live on the fringe of our communities, fire departments are fighting fires along the wildland urban interface. This creates more of a threat to visitors and residents. We need to plan for the future to keep them safe. We have made substantial efforts in the Lake Tahoe Basin, but our communities still have an extreme fire rating. Much of that has to do with our terrain, access and egress. We are not going to change that, but we can alter the fuels and we can change things such as the cooperation and the leadership with the NDF. We support this program, and all the programs that you have before you today.

**Mary C. Walker (President, Walker & Associates):**

I represent Carson City, Douglas, Lyon, Storey and Eureka Counties and also the Truckee Meadows Fire Protection District. We are all very interested in the concept of this program. Each of these counties are still reviewing the program to determine whether to enter this program. Those decisions will be made shortly. We appreciate that this is a tremendous problem from a financial perspective, as well as a natural resource perspective. It is an innovative solution to a difficult problem. I want to thank the NDF for their work on this matter.

**Mr. Prather:**

In B/A 101-4195, decision units E-492 and E-500 are adjustments necessary to accommodate reductions in federal grants.

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E-500 Adjustments to Transfers — Page DCNR-88

Decision unit E-800 allocates the Division's share of the IT technician IV and public information officer I positions.

E-800 Cost Allocation — Page DCNR-91

Decision unit E-903 transfers the Sage Grouse EcoSystem Team state forester III position to NDF.

E-903 Trans from DCNR Dir Office to Forestry — Page DCNR-92

Decision unit E-710 is for needed emergency fire suppression equipment along with approximately \$1.2 million in one-shot appropriations.

E-710 Equipment Replacement — Page DCNR-91

**Chair Goicoechea:**

Decision unit E-350 of B/A 101-4195 recommends funds of \$67,366 in FY 2013-2014 and \$67,387 in FY 2014-2015 to replace a portion of the firefighting and administration positions in this account in support of the NRS 473 fire districts. Because we are transitioning away from that, why do you need to fund and support those?

**Mr. Prather:**

We have approximately 12 positions that receive allocations from the All-Risk fire districts. Those positions reside in the region or central office and will function on a statewide level. With the WFPP, those positions will not be eliminated.

**Chair Goicoechea:**

In decision unit E-500, you requested about \$104,000 in FY 2014-2015 to fund conservation staff and 2 specialists. Was this previously paid for by federal grants? What happened to those funds?

**Mr. Anderson:**

We have lost approximately 20 percent of our federal funding over the last 4 years and we expect there will be additional federal reductions in different areas.



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**Chair Goicoechea:**

Let us move on to the Forestry Conservation Camps, B/A 101-4198.

**Mr. Prather:**

The only decision unit in the budget account is E-710, for computer replacement equipment.

E-710 Equipment Replacement — Page DCNR-103

There is also an approximately \$2.5 million one-shot appropriation in the budget account.

**Chair Goicoechea:**

Let us move on to B/A 201-4660.

NDOT - Transportation Administration — Budget Page NDOT-17 (Volume III)  
Budget Account 201-4660

**Rudy Malfabon, P.E. (Director, Department of Transportation):**

The NDOT is responsible for planning, construction, operation and maintenance of nearly 5,400 highway miles and bridges. We support nearly 54 percent of the vehicles miles traveled in the State. The NDOT is a multi-modal agency. We deal with pedestrian, rail, bike, air and transit issues. Our main focus is rural transit. The metropolitan planning organizations such as the Regional Transportation Commission (RTC), primarily deals with urban transit. We are split into four major divisions: administration, planning, engineering and operations. We have three districts statewide, in Las Vegas, Reno and Elko, with major maintenance stations in Tonopah, Ely and Winnemucca.

Page 2 of our presentation ([Exhibit G](#)) "State of Nevada Department of Transportation" is a breakdown of our FTE positions. The NDOT is a large organization. The bulk of the FTE positions are assigned to construction where we oversee the construction of contracts, maintenance, project delivery, engineering staff and equipment.

Page 3 of [Exhibit G](#) shows the major points we will cover today and provides an update on projects that are ongoing or upcoming.

A major project in rural Nevada is under way for Carlin tunnels on Interstate Highway I-80. This includes tunnel, pavement, and bridge repairs and updating the tunnel lighting. We are also performing some major pavement rehabilitation contracts on I-80 at Golconda, Emigrant Pass, and Battle Mountain. The NDOT is also conducting a major reconstruction project on Interstate 15 at Logandale and Overton.

In northern Nevada the Meadowood Interchange has been in the press lately because our contractor is late in completing the project. They expect to get the lane configuration on the freeway back to normal by the end of March. We are watching closely and working with them. We received a construction request for additional compensation of approximately \$1.5 million for the drilling subcontractor and the prime contractor working on the bridge foundations. We anticipate several millions of dollars in additional claims and will deal with those through our administrative process, or through the courts. By the end of this spring, we should be completely done with the rest of that project.

We also intend to fix the pavement on Interstate 580 in Reno from Moana Lane to Glendale Avenue. I have instructed our engineering staff to look at construction on I-580 in Carson City from Fairview Drive to U.S. Route 50. Our engineers will look at the next construction phase in that area which was not intended to be open to traffic to determine ways to open that phase to traffic by possibly building an "At Grade" intersection which would be more useful to the public.

In southern Nevada our Project NEON encompasses widening of I-15 from Sahara Avenue to the "Spaghetti Bowl" interchange, reconstructing the Charleston Boulevard interchange and connecting the I-15 express lanes to the U.S. 95 high occupancy vehicles (HOV) lanes. The NDOT is looking at a delivery model which involves a Public-Private Partnership (PPP). We have received an unsolicited proposal offering to construct the improvements and then we would pay back that private partner. We rejected that offer, but we are developing a Request for Proposal based on the available funds that we have to make payments. In a general sense, it is like getting a mortgage on your house for a longer-term loan.

The Boulder City bypass is another major project in southern Nevada. The NDOT is responsible for the first phase and the RTC of southern Nevada is responsible for

the second phase which is being looked at as a toll road. Phase one is not a toll road. It would be a free highway, paid for by fuel tax revenue. We are splitting out the phases into subprojects. There are some hurdles to get over on this project, primarily with eminent domain and procurement of three parcels. We did receive a counteroffer recently on one of those parcels. We have hired outside counsel who has been instrumental in training the NDOT and our engineering and right-of-way staff on what to avoid for future exposure on these types of eminent domain cases.

The Cactus Avenue interchange and the F Street Bridge are two major projects starting soon in the Las Vegas area. On the Cactus Avenue interchange, we are working in concert with the Clark County Department of Public Works. They are making improvements on Cactus Avenue which will address the issue south of the Silverado Ranch interchange on I-15 and will provide more mobility for individuals who live in the southwest part of the valley in Las Vegas. We will also reopen the F Street Bridge corridor which is a gateway to the historic Westside in Las Vegas.

Page 7 of [Exhibit G](#) shows a map where Project NEON lies. Availability payment concessions have become highly competitive and attractive. Availability payment refers to whenever the infrastructure is available for use by the public. We would be making payments for that use by the public. Downtown Las Vegas intends redeveloping the area around the former railroad yard. Much redevelopment has occurred there, such as Symphony Park and the Las Vegas Arts District. This is a very important area to Las Vegas and it is a major corridor for commuters that live in the northwest and want to get to the resort corridor where they work.

Page 8 of [Exhibit G](#) highlights the benefits of Project NEON. The red line on that chart shows a high volume of vehicle accidents in that area of I-15 which are related to the high volume of traffic. The bottom portion of the page shows over 250,000 vehicles travel through that area every day.

Page 9 of [Exhibit G](#) provides a spreadsheet showing projected cash flow trends. This spreadsheet shows our basic capital program through the years. We removed some of the nontraditional funding sources, such as the federal stimulus, and some of the bonding proceeds we received from the Las Vegas Convention and Visitors Authority (LVCVA) to be spent on the resort corridor on I-15. We also looked at our core capital program and projected that through the years ahead.

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We also looked at other expenditures for the NDOT, as well as for the Department of Motor Vehicles and the Department of Public Safety (DPS) which also draws down from the Highway Fund. After bond payments, we looked at how much money was available to enter into a PPP. It is a substantial amount. We wanted to assure ourselves, and our transportation Board of Directors, that we have the money available to pay for such a PPP to construct the improvements on I-15 with Project NEON.

Page 10 of [Exhibit G](#) shows the NDOT organizational chart. The center portion of the chart shows FTE positions associated with administration, planning, engineering, and operations. The bottom of the chart shows you the three districts: District 1 - Las Vegas, District 2 - Reno, and District 3 - Elko; and how many personnel are associated with those districts. There are about 970 FTE positions in those district offices and about 800 FTE positions in headquarters. Currently, we have about a 7 percent vacancy rate at the Department, which is typical.

Page 11 of [Exhibit G](#) provides the NDOT staffing and consultant levels. This chart shows where we have been spending our money. There have been great years of capital expenditures in the past, due to some of the funding sources that I mentioned. We have completed numerous projects.

We recognize that there is high unemployment in the construction sector and we are trying to do our part to help. Also shown here are the NDOT personnel expenditures, the purple line near the bottom of the chart, which have been relatively flat. We are a large organization and have the ability to move positions around and reclassify them if we see the need. We try to maintain a flat number of personnel, but also contract work out to consultants. The consultant expenses have been flat and will probably be reduced in the future. We are concentrating on self-performing the engineering functions in-house if we can, but use consultants for areas where we do not have the expertise or we need additional capacity for the short-term.

The green line shows the contractor payments and the navy blue line above that is primarily for support of our projects, such as purchasing the right-of-way or entering into legal settlements when we acquire right-of-way to build some of the larger capacity projects.

The NDOT utilizes seasonal employment in order to control costs. We employ seasonal employees to support maintenance and construction projects in the summer and seasonal employees in the winter to provide public safety and to assist in clearing the roads for snow and ice control. We also use interns, which is a great way to expose individuals, primarily young engineers that are in college, to the Department. Hopefully, this will attract them to work for the State in an engineering position.

Page 13 of [Exhibit G](#) shows some of the nontraditional funding sources. We received a federal stimulus through the American Recovery and Reinvestment Act of 2009 which has been expended. It included approximately \$201.6 million which was used for construction projects statewide. Approximately \$7.4 million of the stimulus was spent on rural transit. We also received approximately \$300 million from the LVCVA. They bonded against their room tax revenue and that money was spent on resort corridor projects on I-15. This included the express lanes project on I-15; the recently completed south project which built an access road system on the side of I-15 and improved the Blue Diamond Interchange; built the Sunset Road grade separation through assistance from Clark County; and replaced the Warm Springs bridge over I-15.

Several improvements on I-15 have benefited from this one-shot revenue source from the LVCVA. We also had a large bonding program, portions of which were used for the I-580 project in northern Nevada; to widen U.S. Route 95; and construction currently under way on I-15 in North Las Vegas north of the Spaghetti Bowl.

That money has now been spent so we are down to our traditional revenue source from fuel tax revenue. We would like to see the Highway Fund with an ending balance of about \$90 million. We are a little below that in FY 2013-2014, but could get back above that in the Executive Budget for FY 2014-2015.

The DMV may be providing an amendment to the budget which would extend the duration of a driver's license from 4 years to 8 years. If this is approved, the DMV would collect more revenue up front and we would have a modest amount of additional revenue that would go into the Highway Fund.

As the new director, I am looking at ways we can save costs at the Department. While we have always been focused on project delivery, I want to instill in our employees the need to stick within our budgets and find efficiencies. As our construction program has lost that nontraditional source of revenue, we intend to reduce one construction crew that oversees our contractors in Las Vegas and one construction crew that oversees our contractors in Reno. With the number of crews we have remaining in Reno and Las Vegas we can still manage our construction program. As I mentioned, several of the major contracts are going to be in northern Nevada on I-80.

The District 3 office in Elko needs more assistance and we are going to have some individuals assisting from the other two districts with that construction program. Also we are looking at where we can perform more work in-house. We will hire engineering consultants, but if there is something we can do ourselves, we will do it and spend the money wisely. We still use consultants where we need to, if we do not have the subject matter expertise, or if we need additional manpower short-term. We also want to reclassify vacant positions and use them where they are needed and look at the construction crews to see if we can downsize in that area. We can use some of those positions to turn in some to get credit on our budget in the future.

The other element I have instructed our staff to look for is to federalize as much as possible and use less State funds. It is just a matter of setting up our program and using federal funds for those purposes. Some examples of that would be for legal support, especially outside counsel expenses on eminent domain cases. We are acquiring the right-of-way using federal required methodology, so those legal expenses are compensable through the federal program, as long we use them appropriately. Also, the U.S. Department of Transportation Federal Highway Administration requires us to have major project plans and finance plans for our larger capacity projects. We stopped using State funds to put those plans together and now use federal funds. The NDOT is adept at using all the federal money that is available. There is some risk of either being fined or having the federal government not want to participate in that expense because an audit finding determined the NDOT did not follow federal program requirements.

We are also using low-cost building maintenance strategies. We have several miles to keep up and maintain in good repair. We use different surface treatments, such

as chip seal, where we spray a layer of oil and lay a layer of rock chips over the road, roll that into place and sweep off the excess chips. We also use cold in-place recycling for low-volume roads. With old in-place recycling, we grind up the road, add oil and place it back down with a paver and roll it into place. It is effective and less expensive than the hot mix. I am reaching out more to the staff on the front line, as they are the ones dealing with these projects and construction efforts on a day-to-day basis and they have some great ideas we can implement for cost savings.

Additionally, our efforts to capture storm water assist in improving water quality and clarity at Lake Tahoe and across the State. Any maintenance or construction operations typically impact storm water. When you drive by a construction project, you may see bales of hay or tubes of straw that are positioned to capture some of the silt and runoff from storm water. We are trying to be more consistent in implementing those methods and procedures and have better oversight and documentation.

We underwent an Environmental Protection Agency audit and they had some concerns, as did the Nevada Division of Environmental Protection, the agency that approves our permits. We will address those concerns and have better documentation and implementation of our storm water program.

The other area we are working to improve on is nondiscrimination. Typically, we are not discriminating against anybody, we are just not keeping all the documentation that the federal government requires. We need to put more of our project funding toward addressing some of the Americans with Disabilities Act of 1990 (ADA) issues both in the urban and rural areas of the State.

We have become more efficient with the use of iPads and mobile devices. These devices help employees when they are traveling to check their e-mails and stay in communication with the Department. We need additional IT support, so we want to hire a device coordinator in order to support the use of those devices. We also want to reclassify or transfer existing positions. In the case of storm water management, we could keep positions in the same category, but in the case of an IT support person, we might have to reclassify the position and go to the IFC for approval.

Page 18 of [Exhibit G](#) shows how the Highway Fund provided assistance with the State budget crisis. One way was the temporary increase of the DMV cap. In the first year of the biennium, the Executive Budget was modified to give us back \$26 million of that impact. We took that revenue in the first year, although we were still below our \$90 million ending balance, and those funds helped us immensely.

Revenue was raised in 2009 with the passage of S.B. 429 of the 75th Session which provided additional revenue for the provision of government services. Those funds were money that was never available to the Department, but was raised specifically to address that gap in the General Fund. It was a substantial amount of money. Those funds were expected to go back to the Highway Fund in 2016, but the matter is currently up for consideration by the Legislature. There are also other proposals under consideration for use of that funding.

Reports have indicated that over \$120 million in funding is being taken away from the NDOT Highway Fund. However, it is really \$26 million in funding that is being taken away during the next biennium.

Page 19 of [Exhibit G](#) describes the bond debt obligation and projections. In the past, we have had some significant projects in both southern and northern Nevada that were funded through bonds. It was the right thing to do at the time. We had a large amount of growth and a backlog of projects to deliver to keep up with the growth. It was important for the economy and for movement of goods, commuters and tourism. We do have principal balances outstanding.

**Scott K. Sisco (Assistant Director, Administration, Department of Transportation):**

On page 20 of [Exhibit G](#) is the bond debt obligation and projections. An aggressive program was conducted between CY 2003 and CY 2008 in selling bonds to provide funding for some of the preservation projects. For the last 2 years, we have been involved with the Office of the State Treasurer and the State Board of Finance to refinance some of that bond debt obligation. In 2012, we refinanced the 2004 series bond and we were able to save \$5.7 million. Just this week, the Department of Transportation approved refinancing of the 2005-2006 series bonds. We have that set up for resale through the State Board of Finance and we anticipate saving about \$7.9 million. The numbers change almost every day. We have one more bond series that we will look at next year and see if we can do something similar



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there. When we sold those bonds, we were at 4.5 percent interest to 5.5 percent interest and now we are in the 1.5 percent interest to 2.5 percent interest range. If there is any chance to save money, we will do that.

Page 21 is a snapshot of the Highway Fund disbursements for the 2013-2015 biennium. The majority of funds from the NDOT go toward capital improvements for preservation and maintenance projects and a few capacity projects for the State.

Page 22 shows the budget request by activity. The top three categories of expenses are: construction of roadways, maintenance and project delivery. We also spend money in other support functions and other roles of providing transportation services to the citizens of this State.

Page 23 of [Exhibit G](#) describes decision units E-125 and E-375.

E-125 Sustainable and Growing Economy — Page NDOT-19

E-375 Safe and Livable Communities — Page NDOT-20

**Chair Goicoechea:**

How did you determine you are going to get \$100,000 out of the 37 private sector sponsors for rest areas?

**Mr. Sisco:**

It is a broad guess and the matching expenditure goes directly into the capital program. We do not have any scientific numbers behind it.

**Chair Goicoechea:**

Is it okay if it is more or if it is less?

**Mr. Sisco:**

Yes.

Decision unit E-130 is tied to the BDR for the tolling authority. This decision unit provides authority for the NDOT to solicit Public Private Partnership agreements to design, construct, develop, operate and maintain transportation facilities and collect

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user fees. If this is approved, we would anticipate some needed changes to our Pioneer Program guidelines. We have estimated a request of approximately \$60,000 per year in order to provide consultant work to update those guidelines to bring the tolling authority into that.

**ASSEMBLY BILL 485**: Revises provisions relating to transportation. (BDR 35-1158)  
E-130 Sustainable and Growing Economy — Page NDOT-19

**Assemblywoman Kirkpatrick:**

What is a PPP? I know that is a policy decision but it seems to be a big part of your budget and a big part of the capital projects. Where are we headed? We have not seen any employees laid off. We still have the same amount of employees, we are transferring money to balance things and now we are talking about toll roads? Last Session toll roads were rather controversial. But it now seems to be a large part of your outlay for capital improvements over the long-term. The NDOT has been responding more to Legislators than in the past, so I want to give them a fair chance to explain some of that.

**Mr. Malfabon:**

There have been a lot of changes in the last 2 years as far as what the NDOT proposed 2 years ago. The PPPs are focused on things like Project NEON where we receive some private financing. We are looking at Project NEON delivery through another means and entering into a financial arrangement to make that loan payment through our regular fuel tax revenue. We are no longer looking at a private partner to build infrastructure and then collect tolls in order to recover those costs.

Not everybody chooses to carpool, therefore, we are now looking at the "managed lanes" concepts in Las Vegas, which will also be beneficial for the use of public transit. We have been working with the RTC of southern Nevada as they have expanded their system with more park-and-ride lots in the northwest. Carpoolers and public transit would be free on those lanes. However, we would like to investigate an option where commuters that are only one occupant in a vehicle could pay a fee to use those lanes because those lanes are not filled up. It is the most likely use of user fees in the State. We are not looking at toll roads, more of a managed lane concept. This is not like State Route 91, where you have to pay a toll to enter. It is only for commuters that are a single occupant in a vehicle. Governor Brian Sandoval has told us if you have a toll road there must also be

a free alternative. The U.S. Highway 93 route is the free alternative to the Boulder City bypass. In this case, the existing lanes on I-15 are the free alternative for a managed lane concept.

**Chair Goicoechea:**

How are you going to control that and how will you collect the fees?

**Mr. Malfabon:**

We are looking at the model that the Utah Department of Transportation used in the Salt Lake City area. They extended their HOV system to Provo using a simple approach initially with just a sticker that law enforcement could see on their windshield. They eventually expanded to electronic devices that could read a smart card placed on their windshield. The idea of the private partner in the managed lane concept is more for the collection of the tolls, if we go that route. We do not want to add more employees to collect the tolls. We are working with the DMV and the DPS on enforcement issues. We are trying to avoid adding more State employees, by using a private company to collect the fees and deal with enforcement issues.

**Chair Goicoechea:**

When will this project be done? It sounds like there are several unanswered questions.

**Mr. Malfabon:**

We are asking for approval to enter into more certain discussions. We are proceeding with Project NEON through this other method of delivery. We felt that if we had the ability to have the tolling authority granted to the Department we could investigate and have some discussions with some of these vendors. It is a big change from 2 years ago when we were looking at a private company building the infrastructure and collecting tolls to get the revenue back to pay for that capital cost.

**Assemblywoman Kirkpatrick:**

The major complaints we hear from constituents regarding the NDOT are the out-of-state jobs and the cones that are always in the road. As you move into these PPPs based on what I have seen, we are contracting out several of these projects instead of performing the work ourselves. At least when we perform the work ourselves we keep Nevadans working who actually pay taxes to keep

government working. When we contract out, we then give that money to someone else to take back to their state and spend. Maybe it is not beneficial to move forward if the jobs are not staying in Nevada.

**Mr. Malfabon:**

We are aware of that issue. If we are not using federal aid for collection of that revenue, we can look at measures to keep things local and have State hiring preferences. We have more flexibility when a project is State funded only. We do not have the ability to have those local preferences on federal projects.

We are also considering, if the managed lane approach on U.S. 95 and I-15 is implemented, keeping that money in the Las Vegas area for those two roads and any maintenance or improvements.

**Chair Goicoechea:**

The Executive Budget recommends a \$316,000 increase for this year and \$34,000 for court-approved forensic software. I see that you have spent approximately \$250,000 on outside services. What kind of cost savings do you anticipate and how many lawsuits do you have a year?

**Mr. Malfabon:**

Because we have embarked on Project NEON, there are about 51 properties involved and we have acquired about half of those. The changes in the *Constitution of the State of Nevada* associated with eminent domain and property rights have led to more legal challenges. We follow the federal process to qualify for reimbursements by the Federal Highway Administration. We have certain processes and time frames to meet. It is a fair process, but this eminent domain issue is becoming very large. We have about a dozen cases pending. Some are more risky than others. This electronic discovery system will assist us with inverse condemnation claims. This is when the property owner claims you affected them back at the height of the real estate boom in CY 2005 through CY 2007. They have the benefit of having all their cases prepared, all their documentation available and then we get notified that we have to be in court. It will help us in the preparation and the discovery on our side. Often, we have to gather all those documents together. On a case involving Project NEON, we have already been through this once and it is a large number of documents. This software will help us

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to have better preparation and discovery so that when we have inverse condemnation cases we can be more legally prepared.

**Chair Goicoechea:**

How many open cases still remain?

**Mr. Malfabon:**

We can have that information provided to you. We do provide a monthly report to our Board about how many legal cases we are involved in.

**Chair Goicoechea:**

Please provide that to Staff. How will the recently enacted federal Moving Ahead for Progress in the 21st Century Act (MAP-21) affect the federal funding awarded to you?

**Mr. Malfabon:**

The MAP-21 gives us about \$320 million per year in federal funds. Sequestration did not have a direct impact. The sequester is automatic spending reductions enacted by Congress through the Budget Control Act of 2011.

Nevada receives more from the federal Highway Administration in federal fuel tax revenue than Nevada collected as a state. There is an equity bonus program that is seen by Congress as discretionary. It is a minimal amount of about \$450,000 per year that could be taken away from us under that program due to Sequestration. Some minor risk exists because Congress is operating under a continuing resolution. That continuing resolution expires March 27. The House has passed a version which decreases highway spending across the Nation by 0.61 percent. This would have a \$1 million to \$2 million impact to our program. The Senate side is considering a continuing resolution version that would put that 0.61 percent back in. It is to be debated and considered.

**Chair Goicoechea:**

Do you expect a large impact on the new distribution formula?

**Mr. Malfabon:**

No.

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**Chair Goicoechea:**

Your \$90 million reserve will decrease by another \$30 million by the end of the biennium. Do you anticipate any real problems meeting cash flow requirements given the anticipated reduction in the Highway Fund?

**Mr. Malfabon:**

No, we do not. The \$90 million is a worst-case scenario if the federal government shuts down because they could not come to an agreement on the budget and we do not get reimbursed on our capital program. We want to have enough money in there that we could negotiate with our contractors on existing contracts, shut those down, pay their expenses for the mobilization and the other things that we would be responsible for.

**Chair Goicoechea:**

We are looking at a \$25 million reduction with the redirecting of the governmental services tax. What impact will that have on you?

**Mr. Sisco:**

To correct that, we were not counting on that money. That was money that we were going to receive starting in FY 2013-2014 which has been delayed to FY 2015-2016. We received an additional \$26 million as a result of the DMV cap, which helped our situation. The \$90 million is an average. We watch it go up and down. The \$90 million works out to 1.5 months of our capital program and 1 month of our operating costs. We would have to have a shutdown of not receiving money from the DMV or from the federal government. The \$90 million is my comfort level and we average that very well.

**Chair Goicoechea:**

You are issuing fewer contracts and doing a lot less construction across the board, yet we are not seeing any real reductions. You are proposing in your budget to reduce a couple of your construction crews, and that makes sense if we are not doing the work. Many of your rural maintenance stations are probably 20 percent understaffed or more because you cannot get people hired. It is having an impact on the traveling public. How many vacant construction positions do you have? You mentioned eliminating crews. Will this be a true elimination or are those positions just going to be vacant positions?

**Mr. Malfabon:**

We currently have nine vacant positions in district 2. We are well on our way to achieving the size of a construction crew in that district. Approximately seven of those are through attrition. We think we can achieve that reduction easily in the construction crew area.

**Chair Goicoechea:**

Do you have the ability to reclassify some of those positions into maintenance?

**Mr. Malfabon:**

We have asked our divisions to identify where they could have some reductions in other staff such as engineering, in order to maintain our roads and keep them in a state of good repair and provide that safety to the public.

**Assemblywoman Kirkpatrick:**

Last Session the Legislature took \$53 million away from the NDOT and now we are taking another \$24 million. Where does that put you for the long-term and is there a different solution moving forward? I know transportation dollars are going to be even harder to come by, and more competitive. If we do not have the money for the federal match, what do we need to be talking about for the long-term and what is the short-term impact?

**Mr. Malfabon:**

In the long-term, we are hopeful that the governmental services tax would eventually be deposited into the State Highway Fund. It is just a question of which year it will be appropriated. It depends substantially on Nevada's economy and what the federal government is going to do to address the revenue issues with transportation funding, not only for highways but also for transit. We are aware of the initiative from Clark County for indexing the fuel tax and feel that will eventually give the cities and the county membership of the RTC of southern Nevada the ability to work and partner with the NDOT on some joint projects, such as the U.S. 95 interchange. The county has done a great job of building the beltway with local funds. That will be a project in line for improvements that were needed to build some additional ramps in order to better operate the interchange. With Project NEON, there are some local improvements that Las Vegas would like if they receive the indexing. They could partner with the NDOT and analyze some local projects where there is overlap. The State system overlaps with counties and

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cities in southern Nevada. We tend to work in partnership with them and the RTC of southern Nevada on joint projects.

**Assemblywoman Kirkpatrick:**

By cutting \$24 million from the NDOT budget, we are diminishing the ability for you to leverage more dollars. At the same time we are not reducing the number of employees by the same factor. We have cut your budget, but we have not cut your employees by the same percentage and now we are counting on local governments to do more when you and the State need to have a role in how all this comes together. I just want to know if we are trying get the State out of the highway business, because I feel that is what is happening. I am concerned what our long-term vision is for your role.

**Mr. Malfabon:**

We would be happy to meet with you to discuss our long-term vision for the transportation program in the State. I wanted to point out that the number of employees at the NDOT has been very stable, even during the peak years in which we tried to do more with consultants. We are looking at any kind of savings and reductions of staff. We have a base program on our traditional fuel tax revenue. We want to make sure that the Department is sized correctly. We have asked the construction crews, the engineering departments, planning, administration and other areas to reduce where we can. We are trying to be realistic and look at cost savings and personnel.

**Chair Goicoechea:**

Are you anticipating any other issues?

**Mr. Sisco:**

We are watching fuel prices. Anytime the cost of fuel rises above \$4 per gallon, commuters reduce their driving. We have been watching that closely over the last 2 years and have been able to manage that without too much of an impact. We are comfortable with our program for the next 2 years. We meet regularly with your Fiscal Staff to review those projections and with the Budget Office staff as well as the DMV so that we are all on the same page.



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**Chair Goicoechea:**

Seeing there are no public comments, we will conclude this budget meeting. This meeting stands adjourned at 11:24 a.m.

RESPECTFULLY SUBMITTED:

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Sheri Fletcher,  
Committee Secretary

APPROVED BY:

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Senator Pete Goicoechea, Chair

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

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Assemblyman David P. Bobzien, Chair

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

<b><u>EXHIBITS</u></b>				
<b>Bill</b>	<b>Exhibit</b>		<b>Witness / Agency</b>	<b>Description</b>
	A	2		Agenda
	B	4		Attendance Roster
	C	16	Joanne Marchetta, Executive Director, Tahoe Regional Planning Agency	Tahoe Regional Planning Agency Budget Hearing
	D	12	Rebecca L. Palmer, Acting State Historic Preservation Officer, Deputy State Historic Preservation Officer, Office of Historic Preservation, State Department of Conservation and Natural Resources	Senate-Assembly Joint Natural Resources Budget Subcommittee March 14, 2013 – Historic Preservation
	E	13	David K. Morrow, Administrator, Division of State Parks, State Department of Conservation and Natural Resources	Senate-Assembly Joint Natural Resources Budget Subcommittee Division of State Parks
	F	14	Pete Anderson, State Forester, Division of Forestry	Senate-Assembly Joint Natural Resources Budget Subcommittee - Forestry
	G	28	Rudy Malfabon, P.E., Director, Department of Transportation	State of Nevada Department of Transportation