

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

**Seventy-Eighth Session
May 6, 2015**

The meeting of the Subcommittees on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means was called to order by Chair Pete Goicoechea at 8:07 a.m. on Wednesday, May 6, 2015, 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 Michael Roberson
Senator Joyce Woodhouse

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblyman Randy Kirner, Chair
Assemblyman Pat Hickey, Vice Chair
Assemblyman D. Paul Anderson
Assemblywoman Irene Bustamante Adams
Assemblyman Chris Edwards
Assemblywoman Heidi Swank

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Cindy Jones, Assembly Fiscal Analyst
Jennifer Gamroth, Program Analyst
Kristin Kolbe, Program Analyst
Emily Cervi, Committee Assistant
Susan McArthur, Committee Secretary

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Chair Goicoechea:

Before we hear the budget closings, I will ask for public comment. Seeing none, we will move to a discussion of the budget for the Nevada Supreme Court.

LEGISLATIVE-JUDICIAL

JUDICIAL BRANCH

Supreme Court — Budget Page JUDICIAL-14 (Volume I)
Budget Account 101-1494

Kristen Kolbe (Program Analyst):

The first of two major closing issues in this budget account (B/A) is a change to position classification, as outlined on page 3 of the “General Government Joint Subcommittee Closing List #5” ([Exhibit C](#)).

The Executive Budget includes the reclassification of all unclassified positions within the Judicial Branch to nonclassified positions, excluding the Commission on Judicial Discipline budget.

Judicial Discipline — Budget Page JUDICIAL-84 (Volume I)
Budget Account 101-1497

Judicial Branch salaries for unclassified positions are established by the Legislature in the Unclassified Pay Bill. Salaries for nonclassified positions are set at the discretion of the appointing authority. Legislative oversight of position compensation would be removed if Judicial Branch unclassified positions were changed to nonclassified.

During the Legislative Commission’s Budget Subcommittee hearing on January 20, 2015, the Judicial Branch testified that compensation inequity had resulted in the loss of staff to other branches of government. Of the eight professional-level positions lost from July 1, 2013, to January 30, 2015, four transferred to federal, county, or city governments, private industry or self-employment. The remaining four professional positions transferred to classified service. Only two of the eight individuals cited pay as a factor for leaving.

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The 77th Session budget request from the Judicial Branch included the reclassification of all unclassified positions to nonclassified positions. The request was not approved by the 2013 Legislature.

Chair Kirner:

Having heard the Judicial Branch testimony during the budget hearing, I wish I could support this reclassification. On the other hand, the Supreme Court should work within the system.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE THE RECLASSIFICATION OF ALL UNCLASSIFIED POSITIONS WITHIN THE JUDICIAL BRANCH TO NONCLASSIFIED POSITIONS.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The second major issue in B/A 101-1494, outlined on page 4 of [Exhibit C](#), concerns increased settlement judge fees and expenses.

The Executive Budget includes General Fund appropriations of \$146,978 over the 2015-2017 biennium to increase the hourly rate and expenses paid to settlement judges. The Supreme Court's Settlement Program is an alternative dispute resolution program that uses mediation to resolve cases. Settlement judge pay is set by court order, and was last increased to \$85 an hour in 2007.

Settlement judges also receive expense reimbursement for such items as postage, parking, travel, secretarial support, telephone and document copies. The expense rate of \$35 per case was set in 2003.

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The maximum amount a settlement judge can receive per case is \$885. Decision unit E-228 requests an increase in the hourly rate paid to settlement judges from \$85 to \$100, with a maximum of \$1,050 per case.

E-228 Efficient and Responsive State Government — Page JUDICIAL-17

Court arbitrators, mediators for the Foreclosure Mediation Program and hearing officers for the Department of Administration's Division of Human Resource Management all earn more than settlement judges.

The Judicial Branch did not use all funds that were legislatively approved for settlement conference expenses in fiscal year (FY) 2012, FY 2013 and FY 2014. The approval of E-228 would equate to a 6 percent increase in settlement fees and expenses as compared to the amount legislatively approved for the 2013-2015 biennium.

The table titled "Settlement Judge Pay" on page 4 of [Exhibit C](#) compares the legislatively approved amount of pay, the actual amount paid, and the difference between the two, for FY 2012, FY 2013, and FY 2014.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE GENERAL FUND APPROPRIATIONS OF \$146,978 OVER THE 2015-2017 BIENNIUM TO INCREASE THE HOURLY RATE AND EXPENSES PAID TO SETTLEMENT JUDGES.

CHAIR KIRNER SECONDED THE MOTION.

Chair Kirner:

The Judicial Branch is well managed. The people who work there ought to be paid appropriately.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMAN BUSTAMANTE ADAMS VOTED NO.)

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SENATE: THE MOTION FAILED. (SENATOR ROBERSON WAS ABSENT FOR THE VOTE AND SENATOR WOODHOUSE VOTED NO.)

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Ms. Kolbe:

The Supreme Court budget, B/A 101-1494, has eight other closing items with nine decision units, the last of which, on page 5 of [Exhibit C](#), is an unclassified salary increase in decision unit E-813.

M-220 Demographics/Caseload Changes — Page JUDICIAL-15
E-226 Efficient and Responsive State Government — Page JUDICIAL-16
E-227 Efficient and Responsive State Government — Page JUDICIAL-16
E-500 Adjustment To E900 — Page JUDICIAL-17
E-900 Transfer From Judicial Education (BA1487) — Page JUDICIAL-20
E-710 Equipment Replacement — Page JUDICIAL-18
E-712 Equipment Replacement — Page JUDICIAL-18
E-720 New Equipment — Page JUDICIAL-19
E-813 Position Upgrades — Page JUDICIAL-19

Decision unit E-813 is a General Fund appropriation for \$13,287 over the 2015-2017 biennium to support a salary increase for the unclassified position of reporter of judicial decisions.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO GRANT FISCAL STAFF AUTHORITY TO MAKE ADJUSTMENTS TO B/A 101-1494 THAT MAY BE NECESSARY BASED ON THE SALARIES APPROVED, AND THAT OTHER CLOSING ITEMS BE CLOSED AS INCLUDED IN THE EXECUTIVE BUDGET WITH THE ADJUSTMENT AS NOTED ON PAGE 2 OF [EXHIBIT C](#), AND AUTHORITY TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

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SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

On page 7 of [Exhibit C](#), the budget for the Court of Appeals, B/A 101-1489, is shown. This account has one major closing issue, concerning membership dues for the Chief Judge of the Nevada Court of Appeals in the Council of Chief Judges of the State Courts of Appeal (CCJSCA).

Court of Appeals — Budget Page JUDICIAL-22 (Volume I)
Budget Account 101-1489

The Department of Administration's Budget Division submitted Budget Amendment No. A150031489 on March 24, 2015, to increase General Fund appropriations by \$11,000 over the 2015-2017 biennium to support an annual membership to the CCJSCA.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ADDITIONAL GENERAL FUND APPROPRIATIONS OF \$11,000 OVER THE 2015-2017 BIENNIUM TO SUPPORT AN ANNUAL NATIONAL ASSOCIATION MEMBERSHIP FOR THE CHIEF JUDGE OF THE NEVADA COURT OF APPEALS, AS INCLUDED IN BUDGET AMENDMENT NO. A150031489.

CHAIR KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

Please note the technical adjustment at the bottom of page 8 of [Exhibit C](#). The Interim Finance Committee originally approved nine support staff for the new Court of Appeals budget through a contingency account request on

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December 8, 2014. Since then, however, the Judicial Branch has added a nonclassified chief assistant clerk position and transferred eight existing positions, comprising a law clerk, five staff attorneys and two supervisory staff attorney staff positions from the Supreme Court budget, B/A 101-1494, to the Court of Appeals budget, B/A 101-1489.

Effective April 13, 2015, the Judicial Branch transferred an executive assistant position from the Supreme Court budget to the Court of Appeals budget, for a total of 19 positions. Adjustments to include the transfer of the executive assistant position from the Supreme Court budget are included on page 7 of [Exhibit C](#).

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE TECHNICAL ADJUSTMENT TO RECOGNIZE THE EXECUTIVE ASSISTANT POSITION TRANSFER AS REFLECTED ON PAGE 7 OF [EXHIBIT C](#).

CHAIR KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

Staff from the Fiscal Analysis Division is responsible for developing closing recommendations for the Judicial Education budget, B/A 101-1487, which previously has not been reviewed by the Subcommittees.

Judicial Education — Budget Page JUDICIAL-58 (Volume I)
Budget Account 101-1487

As shown on pages 10 through 12 of [Exhibit C](#), this budget account has three closing items, including nine decision units, the second of which concerns training cost transfers.

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E-710 Equipment Replacement — Page JUDICIAL-60
E-712 Equipment Replacement — Page JUDICIAL-60
E-900 Transfer To Supreme Court — Page JUDICIAL-61
E-901 Transfer To AOC — Page JUDICIAL-61
E-902 Transfer To Law Library — Page JUDICIAL-62
E-903 Transfer To USJR — Page JUDICIAL-62
E-904 Transfer To JPS — Page JUDICIAL-62
E-906 Transfer To the Court of Appeals — Page JUDICIAL-63
E-905 Transfer Jud Ed To New Category — Page JUDICIAL-63

The Executive Budget includes training cost transfers from the Judicial Education budget to six operating budgets within the Judicial Branch. During the budget hearing of March 11, 2015, the Judicial Branch recommended the transfer of training costs to the operating budgets where each position resides, because administrative court assessment revenues are projected to decline.

Before FY 2011, the Judicial Branch budgeted for training costs in its individual operating accounts, rather than in the Judicial Education budget. Budgeting training costs in this budget reduces the need for General Fund appropriations in those Judicial Branch operating budgets supported by General Fund appropriations.

The table on page 11 of [Exhibit C](#), titled "Training Cost Transfers from the Judicial Education Budget and General Fund Impact," shows to which accounts the training costs would be transferred and the General Fund impact of \$92,192.

While administrative court assessments will be fully addressed in the discussion of the Administrative Office of the Courts budget, I mention them now to aid the Subcommittees in making their decision.

As noted on page 11 of [Exhibit C](#), 36.5 percent of the portion of administrative court assessments that must be distributed within the Judicial Branch belongs to three different budget accounts: the Administrative Office of the Courts, B/A 101-1483; the Uniform System of Judicial Records, B/A 101-1486; and Judicial Education, B/A 101-1487.

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Administrative Office of the Courts — Budget Page JUDICIAL-37 (Volume I)
Budget Account 101-1483

Uniform System of Judicial Records — Budget Page JUDICIAL-51 (Volume I)
Budget Account 101-1486

The distribution of the 36.5 percent among the three affected budget accounts is derived by analyses of their respective reserve levels. The optimal level of budget reserves for both the Administrative Office of the Courts and the Uniform System of Judicial Records is 90 days. The optimal level of budget reserves for the Judicial Education budget is 45 days.

As indicated on the table titled “Judicial Education Budget Revenue and Expenditure History” on page 12 of [Exhibit C](#), the Judicial Education budget, with the exception of FY 2011, has expended more than the revenues it has received, resulting in reduced reserve levels. Education expenses are more discretionary in nature than are those for the other two budget accounts.

A request similar to the one under discussion, the transfer of training costs from the Judicial Education budget to operating budgets for the 2007-2009 biennium, was not approved, since those operating budgets were funded with General Fund appropriations.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE TRANSFER OF TRAINING COSTS FROM THE JUDICIAL EDUCATION BUDGET TO SIX OPERATING BUDGETS WITHIN THE JUDICIAL BRANCH AT A GENERAL FUND COST OF \$92,192 OVER THE 2015-2017 BIENNIUM, AND TO CLOSE CLOSING ITEMS 1 AND 3 ON PAGES 10 AND 12 OF [EXHIBIT C](#), AS IN THE EXECUTIVE BUDGET, GRANTING FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The next budget account, the Administrative Office of the Courts, B/A 101-1483, is shown on page 13 of [Exhibit C](#).

This account has one major closing issue, administrative court assessment revenues. Pursuant to *Nevada Revised Statute* (NRS) 176.059, not less than 51 percent of the administrative court assessment revenues received by the State Controller must be distributed to the Office of Court Administrator for allocation among the various Judicial Branch budgets, based on percentages defined in statute.

Not more than 49 percent of the administrative court assessment revenues must be allocated to various Executive Branch budgets to the extent of the legislative authorization.

For each year of the 2015-2017 biennium, 56.5 percent of the projected administrative court assessments are allocated to the Judicial Branch budgets, and just over 40 percent of the projected administrative court assessments are allocated to the Executive Branch accounts.

The remaining portion of the projected administrative court assessments is currently unallocated.

The table on the top of page 14 of [Exhibit C](#) shows the administrative court assessment allocations.

As compared to the 2013-2015 biennium, the Executive Branch budget includes a 3.5 percent increase in administrative court assessments allocated to the Judicial Branch over the 2015-2017 biennium. This increase is shown in the table at the bottom of page 14, titled "Administrative Court Assessment Distributions."

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The Judicial Branch provided revised administrative court assessments for FY 2015 on February 18, 2015, which includes a projected reduction of 10 percent from the actual amount collected in FY 2014, or approximately 3 percent less than the legislatively approved amount of \$45.7 million for the 2013-2015 biennium.

Based on the revised administrative court assessments by the Judicial Branch, its revenues would be \$1.4 million short of the amount needed to fund the expenditures included in the Executive Budget for the 2015-2017 biennium.

Although the reasons for the decline in administrative court assessments are not known, the Judicial Branch surmises that fewer traffic tickets have been written, possibly due to furloughs required of Nevada Highway Patrol troopers and law enforcement determinations that traffic violations are low priority matters.

The table on page 15 of [Exhibit C](#), titled "Revised Administrative Court Assessment Distribution," shows the impact of the lower administrative court assessments revenue on the six Judicial Branch budgets.

To address the decline in administrative court assessments, the Judicial Branch recommends increases to General Fund appropriations of \$714,987 and decreases to reserve funding of \$673,336 over the 2015-2017 biennium to fund the expenditures included in the Executive Budget as a result of the revised projections.

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ADMINISTRATIVE COURT ASSESSMENTS OF \$25.8 MILLION AS REVISED BY THE JUDICIAL BRANCH, AND INCREASE GENERAL FUND APPROPRIATIONS OF \$714,987 AND DECREASES IN RESERVE FUNDING OF \$673,336 OVER THE 2015-2017 BIENNIUM, AS RECOMMENDED BY THE JUDICIAL BRANCH.

ASSEMBLYMAN ANDERSON SECONDED THE MOTION.

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Chair Kirner:

I am concerned that we are funding a large portion of our court system through administrative court assessments. Basically, we need people to violate the law so the State can collect assessments to fund the court. It seems contradictory. I encourage the Judicial Branch to explore, during the interim, other ways to fund the courts' operations.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Administrative Office of the Courts budget account, B/A 101-1483, has five other closing items, consisting of 12 decision units, as summarized on pages 15 through 16 of [Exhibit C](#).

M-220 Demographics/Caseload Changes — Page JUDICIAL-38
E-225 Efficient and Responsive State Government — Page JUDICIAL-39
E-500 Adjustment To E901 — Page JUDICIAL-39
E-901 Transfer From Judicial Education — Page JUDICIAL-43
E-710 Equipment Replacement — Page JUDICIAL-40
E-711 Equipment Replacement — Page JUDICIAL-41
E-712 Equipment Replacement — Page JUDICIAL-41
E-713 Equipment Replacement — Page JUDICIAL-41
E-720 New Equipment — Page JUDICIAL-42
E-721 New Equipment — Page JUDICIAL-42
E-722 New Equipment — Page JUDICIAL-42
E-723 New Equipment — Page JUDICIAL-43

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT OTHER CLOSING ITEMS BE CLOSED AS INCLUDED IN THE EXECUTIVE BUDGET, AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The State Judicial Elected Officials Budget, B/A 101-1490, is shown on page 17 of [Exhibit C](#).

State Judicial Elected Officials — Budget Page JUDICIAL-27 (Volume I)
Budget Account 101-1490

Fiscal staff is responsible for developing closing recommendations for this budget, which has previously not been heard by the Subcommittees. This account has one closing item: salary and benefit adjustments to the Base Budget, as discussed on page 18 of [Exhibit C](#).

On March 6, 2015, the Judicial Branch notified Fiscal staff of a district judge in possession of 8 years' jurist experience who was elected in the November 2014 general election.

Pursuant to NRS 3.030, a judge who has served at least 4 years is entitled to additional salary of 2 percent of her or his annual base salary for each year of service, not to exceed 22 percent of the annual base salary.

The Judicial Branch recommends additional General Fund appropriations of \$72,046 over the 2015-2017 biennium for salary and benefit adjustments.

On April 22, 2015, the Judicial Branch notified Fiscal staff of a newly appointed district court judge who had chosen to remain in the Public Employees' Retirement System, as opposed to transferring to the Judicial Retirement System. To fund this retirement choice, the Judicial Branch recommends additional General Fund appropriations of \$21,600 over the 2015-2017 biennium.

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The table on page 18 of [Exhibit C](#), titled "General Fund Reversion History," provides a brief history of the General Fund appropriations approved and reverted for this budget account, B/A 101-1490. The reversions for FY 2011, FY 2012 and FY 2013 exceed the additional request for a General Fund appropriation of \$93,646 over the 2015-2017 biennium, as recommended by the Judicial Branch for these position adjustments. Unexpectedly vacant judicial seats or election-based turnover were the causes of the reversions.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ADDITIONAL GENERAL FUND APPROPRIATIONS TOTALING \$93,646 OVER THE 2015-2017 BIENNIUM FOR POSITION ADJUSTMENTS, AS REQUESTED BY THE JUDICIAL BRANCH, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Judicial Selection budget, B/A 101-1498, is shown on page 19 of [Exhibit C](#).

Judicial Selection — Budget Page JUDICIAL-29 (Volume I)
Budget Account 101-1498

Fiscal staff is responsible for developing closing recommendations for this budget, which previously has not been heard by the Subcommittees. This account has no closing issues.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-1498 AS INCLUDED IN THE

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EXECUTIVE BUDGET, AND TO GRANT FISCAL STAFF AUTHORITY TO
MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Senior Justice and Senior Judge budget, B/A 101-1496, is shown on page 20 of [Exhibit C](#).

Senior Justice & Senior Judge Program — Budget Page JUDICIAL-30 (Volume I)
Budget Account 101-1496

Fiscal staff is responsible for developing closing recommendations for this budget, which previously has not been heard by the Subcommittees. This account has no closing issues.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL
COMMITTEES TO CLOSE B/A 101-1496 AS INCLUDED IN THE
EXECUTIVE BUDGET, AND TO GRANT FISCAL STAFF AUTHORITY TO
MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Judicial Retirement System State Share budget, B/A 101-1491, is shown on page 21 of [Exhibit C](#).

Judicial Retirement System State Share — Budget Page JUDICIAL-71 (Volume I)
Budget Account 101-1491

Fiscal staff is responsible for developing closing recommendations for this budget, which previously has not been heard by the Subcommittees. This account has no closing issues.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-1491 AS INCLUDED IN THE EXECUTIVE BUDGET, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Judicial Support, Governance and Special Events budget, B/A 101-1493, is shown on page 22 of [Exhibit C](#).

Judicial Support, Governance and Special Events — Budget Page JUDICIAL-69
(Volume I)
Budget Account 101-1493

Fiscal staff is responsible for developing closing recommendations for this budget, which previously has not been heard by the Subcommittees. This account has no closing issues.

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ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-1493 AS INCLUDED IN THE EXECUTIVE BUDGET, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Judicial Programs and Services Division budget, B/A 101-1484, is shown on page 23 of [Exhibit C](#).

Judicial Programs and Services Division — Budget Page JUDICIAL-45 (Volume I)
Budget Account 101-1484

Fiscal staff is responsible for developing closing recommendations for this budget, which previously has not been heard by the Subcommittees. This account has three closing items, consisting of five decision units, as summarized on page 24 of [Exhibit C](#).

E-225 Efficient and Responsive State Government — Page JUDICIAL-47
E-710 Equipment Replacement — Page JUDICIAL-48
E-712 Equipment Replacement — Page JUDICIAL-48
E-500 Adjustment To E904 — Page JUDICIAL-47
E-904 Transfer From Judicial Education — Page JUDICIAL-49

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-1484 AS INCLUDED IN THE EXECUTIVE BUDGET, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

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ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Uniform System of Judicial Records budget, B/A 101-1486, is shown on page 25 of [Exhibit C](#).

This budget account has six closing items containing ten decision units, as summarized on pages 25 through 27 of [Exhibit C](#).

E-225 Efficient and Responsive State Government — Page JUDICIAL-53
E-226 Efficient and Responsive State Government — Page JUDICIAL-53
E-227 Efficient and Responsive State Government — Page JUDICIAL-53
E-500 Adjustment To E903 — Page JUDICIAL-54
E-903 Transfer From Judicial Education — Page JUDICIAL-56
E-710 Equipment Replacement — Page JUDICIAL-55
E-711 Equipment Replacement — Page JUDICIAL-55
E-713 Equipment Replacement — Page JUDICIAL-56
E-712 Equipment Replacement — Page JUDICIAL-55
E-720 New Equipment — Page JUDICIAL-56

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-1486 AS INCLUDED IN THE EXECUTIVE BUDGET, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

Assemblyman Edwards:

If the revenue became available, would the vacant information technology position, as discussed in Closing Item No. 1, be filled?

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Ms. Kolbe:

Yes. That position is funded in FY 2017.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Kolbe:

The Specialty Court budget, B/A 101-1495, is shown on page 28 of [Exhibit C](#).

Specialty Court — Budget Page JUDICIAL-65 (Volume I)
Budget Account 101-1495

The Specialty Court programs are judicial problem-solving processes designed to address the root causes contributing to criminality. During the 2013-2015 biennium, this budget received fees for misdemeanor and felony convictions for driving under the influence (DUI). In FY 2014, actual collections were \$217,213, and to-date \$478,308 have been collected. The DUI fees expired by limitation on June 30, 2015, and no Legislation exists to continue the fees.

Chair Kirner:

Specialty Courts are an essential element of our justice system, and we should avoid discontinuing these DUI fees.

Cindy Jones (Assembly Fiscal Analyst):

Fiscal staff can add back language to the Appropriations Act that would allow for the continuation of this fee for the upcoming biennium.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO DIRECT STAFF TO ADD BACK LANGUAGE IN THE APPROPRIATIONS ACT TO CONTINUE THE DUI FEES FOR THE UPCOMING BIENNIUM, AND TO REDUCE THE GENERAL FUND APPROPRIATION TO B/A 101-1495 BY THE AMOUNT STATED.

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ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Kolbe:

The first major closing item in this account, B/A 101-1495, is summarized on page 29 of [Exhibit C](#), and it concerns General Fund appropriations of \$3 million in each year of the 2015-2017 biennium to serve an additional 800 to 900 participants in Specialty Court programs, and to meet existing requests to provide treatment, drug testing and participant oversight.

E-351 Safe and Livable Communities — Page JUDICIAL-67

This budget account has not been previously funded with General Fund appropriations. Recommended funding for the Specialty Courts is vetted through the Specialty Court Funding Committee. Requests are received and approved annually.

For the past 4 years, declining revenues have prevented funding of new programs, which has lengthened the waitlist for new participants in Specialty Court programs.

There were 44 Specialty Court programs in FY 2013, 43 programs in FY 2014, and currently there are 41 programs. The reduction in the number of programs is due to the reorganization of a program after the loss of key personnel.

The Judicial Branch projects 45 programs in FY 2015, but that projection may be overly optimistic, because one program became defunct in FY 2014 due to lack of participants. Nevada has 14 programs that are grant- or self-funded and city- or county-funded.

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The Specialty Court budget account, B/A 101-1495, has expended more than it has received since 2013. This practice has resulted in a reduction to reserves from \$2.9 million in FY 2012 to \$1.6 million in FY 2017, as shown in the table at the bottom of page 29 of [Exhibit C](#) titled "Specialty Courts Revenue and Expenditure History."

The table at the top of page 30, titled "Specialty Court Statistics," provides a brief history of Specialty Court new participant admission and graduate statistics.

During the budget hearing of March 11, 2015, the Subcommittees expressed concern about funding this budget. The Specialty Court Funding Committee met on April 3, 2015, but it took no action on establishing guidelines for future funding. Instead, it will address funding guidelines after the Legislature makes a determination of General Fund appropriations for this budget.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE A GENERAL FUND APPROPRIATION OF \$3 MILLION IN EACH YEAR OF THE 2015-2017 BIENNIUM TO SERVE AN ADDITIONAL 800 TO 900 PARTICIPANTS IN SPECIALTY COURT PROGRAMS AND TO MEET EXISTING REQUESTS FROM SPECIALTY COURT PROGRAMS.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

Chair Goicoechea:

We need to move forward with this appropriation, but the table on page 30 of [Exhibit C](#) shows a declining graduation rate for these programs.

Assemblyman Edwards:

Although these programs do not graduate 100 percent of their participants, it works well for those who do succeed. We need to continue the Specialty Court programs and continue to improve them.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Kolbe:

The second major closing issue in B/A 101-1495, concerns stabilization funding; this issue is summarized on pages 30 and 31 of [Exhibit C](#).

E-350 Safe and Livable Communities — Page JUDICIAL-66

The Judicial Branch transfers funding on a quarterly basis to specialty courts throughout the State, based on expenditure plans approved by the Specialty Court Funding Committee. To stabilize the budget and ensure sufficient funding for the first quarter of FY 2018, the Executive Budget includes a General Fund appropriation of \$1.4 million in FY 2017.

As discussed previously, the Specialty Court's major source of revenue is administrative court assessments, which are decreasing, and which the Judicial Branch expects will continue to decrease.

The Specialty Court budget maintains reserves in the amount of \$300,000, so that in the event of a revenue shortfall, funding is available to continue transfers to the specialty court programs to ensure their continuity. These reserves have not been accessed since they were established in FY 2010.

The Judicial Branch has initiated a policy change, wherein any given specialty court's expenditures and funding remaining from the previous fiscal year may justify a reduction of administrative assessments revenue distribution to that particular specialty court.

On April 24, 2015, the Judicial Branch reported that an additional \$300,000 would be reduced from the Specialty Court distributions for FY 2016, based on anticipated remaining funding in FY 2015 from Specialty Court programs.

Nevada Revised Statute 353.253 requires, with certain exceptions, that funds remaining at the end of a fiscal year must revert to the source of funding. If it is federally sourced or revenue-sourced, as restricted by statute, any balance at

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the end of the fiscal year does not revert to the funding source, but is authorized for expenditure in a subsequent fiscal year.

The Judicial Branch is requesting authority to retain the General Fund appropriation of \$1.4 million in FY 2017 for use in the first quarter of FY 2018.

A General Fund appropriation in FY 2017 that would not revert, and could be carried forward into FY 2018, would deviate from statute. If the Subcommittees wish to approve this General Fund appropriation, Fiscal staff recommends the Subcommittees direct the Judicial Branch to expend the General Fund appropriation in FY 2017. Doing so would allow the Judicial Branch to accumulate the fees it collects to establish the proposed stabilization reserve for use in subsequent fiscal years, without deviating from the provisions of NRS 353.253.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE A REDUCED FEDERAL FUND APPROPRIATION OF \$1.1 MILLION IN FY 2017 TO STABILIZE THE SPECIALTY COURT BUDGET, SINCE THE JUDICIAL BRANCH ANTICIPATES AN ADDITIONAL \$300,000 AT THE END OF FY 2015, AND TO DIRECT THE JUDICIAL BRANCH TO EXPEND THE GENERAL FUND APPROPRIATION IN FY 2017, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

SENATOR WOODHOUSE SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Kolbe:

The Law Library budget account, B/A 101-2889, is shown on page 32 of [Exhibit C](#).

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Law Library — Budget Page JUDICIAL-32 (Volume I)
Budget Account 101-2889

Fiscal staff is responsible for developing closing recommendations for this budget, which previously has not been heard by the Subcommittees. There are no major closing items in this account.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO CLOSE B/A 101-2889 AS INCLUDED IN THE EXECUTIVE BUDGET, AND TO GRANT AUTHORITY TO FISCAL STAFF TO MAKE ADJUSTMENTS AS NEEDED.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Kolbe:

The final Judicial Branch budget account that I will discuss today, the Foreclosure Mediation Program (FMP), B/A 101-1492, is shown on page 34 of [Exhibit C](#).

Foreclosure Mediation Program — Budget Page JUDICIAL-74 (Volume I)
Budget Account 101-1492

The first of two major closing issues in this account, the continuation of the FMP, is described on page 35.

M-220 Demographics/Caseload Changes — Page JUDICIAL-75

E-225 Efficient and Responsive State Government — Page JUDICIAL-76

Due to declining revenues for the FMP, the Judicial Branch anticipated that program funding and reserves would be depleted by FY 2016. The

Executive Budget eliminates existing positions and related costs in the base decision unit.

To continue the FMP, the Executive Budget includes a transfer of National Mortgage settlement funds of \$798,632 from the Office of the Attorney General, and continuation of mediation service fees of \$522,400, notice of default (NOD) fees of \$386,145 and photocopy fees of \$50 over the 2015-2017 biennium.

During its first year of operation in FY 2010, the FMP collected total revenue of just over \$7 million. A decline in NOD fees began in October 2011, and in response, the FMP eliminated 14 of the 20 positions that had been approved by the Legislature. The program has compensated for the loss of State positions by improved manual processes, automation and as-needed temporary workers.

The table on page 35 of [Exhibit C](#) titled "Foreclosure Mediation Program Revenues and Expenditure Summary" summarizes FMP revenue and expenditures, including reserves, from FY 2010 through those projected for FY 2015 to FY 2017. Expenditures were often in excess of fees collected, which lowered the reserve amounts.

The recommended transfer of mortgage settlement funds will cause reserves to be nearly depleted in FY 2017, and the program does not generate sufficient funding to sustain itself beyond the 2015-2017 biennium.

The FMP statistical data is reflected on the table titled "Foreclosure Mediation Program Statistics" at the top of page 36. The third row down, "Number of mediations completed by the FMP," reflects a high of 7,558 in FY 2011 and a projected low of 662 in FY 2017.

The second-to-last row of that table shows "Percent of homeowners who retained their homes after participating in mediation." A high of 40 percent occurred in FY 2010, and in FY 2017, a low of 15 percent is projected.

The table on the bottom of page 36 shows that the costs of FMP mediations has increased from a low of \$153 per mediation in FY 2010, to a projected high

of \$840 in FY 2016. The FMP mediation costs are tied to a collection of a \$44 fee payable to trustees at the NOD filing.

If the FMP is not recommended for continuation, an estimated 6 to 9 months would be required to terminate its operations, which would begin July 1, 2015. Residual funding would be utilized to complete any cases in process. Further, if the FMP is not recommended for continuation, additional General Fund appropriations of \$196,745 over the 2015-2017 biennium to assume shared cost expenditures is recommended by the Judicial Branch.

Senator Woodhouse:

The "Foreclosure Mediation Program Statistics" table on page 36 reveals a decline in participation in the FMP. However, it is important to note that Nevada is still the leader in underwater mortgages. I think we should continue the FMP at least until FY 2017, at which time we can reconsider the program.

Chair Kirner:

The table shows a high point in FY 2011, with 7,558 mediations completed, but only 892 are projected for FY 2015, 758 are projected for FY 2016 and 662 are projected for FY 2017.

At the same time, as shown in the table at the bottom of page 36, the cost of mediation continues to rise. In FY 2016, the cost is projected to be \$840 per mediation.

While Nevada may be the slowest state to recover from the Great Recession, the FMP is not helping very many people. There are six staff members at FMP, and the cost of the program would be \$2,733,144 in FY 2015 and another \$1,526,770 in FY 2016. That is a significant amount of money.

Since this program is forecast to bankrupt itself by the end of the Session, other financial demands on the Legislature, such as schools, should be considered ahead of the FMP.

Nevada is emerging from the mortgage crisis, and people are gaining equity in their homes. The State has turned a financial corner, and the FMP is no longer a good investment.

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Assemblywoman Bustamante Adams:

Are National Settlement Administration funds available from the Office of the Attorney General?

Ms. Kolbe:

The Executive Budget includes \$5 million in reserves in FY 2017, which includes this transfer. If this transfer does not occur, those monies would remain in the reserves within the Attorney General's budget.

Assemblywoman Bustamante Adams:

Since that money is available, the Legislature should continue the FMP through the 2015-2017 biennium and then prepare to gradually deplete the FMP budget. Several Legislators represent areas whose constituents continue to struggle to pay their mortgages.

Assemblywoman Swank:

Currently there are 282,261 homes in Nevada whose owners owe more on their mortgages than their homes are worth. Compare that number to 72,239 homes that enjoy at least 50 percent equity. Although the State is transitioning out of the foreclosure crisis, the FMP is still needed.

Chair Kirner:

Out of those 282,261 homeowners cited by Assemblywoman Swank, only 100 people will achieve a successful mediation through the FMP, at great expense to the State.

Assemblywoman Swank:

Perhaps more outreach could be done to involve more homeowners in the FMP.

Chair Kirner:

Outreach is currently being conducted for this program.

Assemblyman Anderson:

Assembly Bill No. 273 of the 77th Session automatically enrolled distressed homeowners in the FMP, but it did not have the hoped-for effect. Currently, the State is seeing gains in property values. Washoe County, alone, reported 25 percent increases in property values. The State is experiencing

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higher wages and higher home prices. Any existing foreclosures may be due simply to backlog. The FMP should be eliminated.

Assemblyman Edwards:

Statistically speaking, this program has passed the point of diminishing returns. It is now costing five times as much to achieve one-sixth as many gains. We should end the FMP.

Chair Goicoechea:

The FMP cannot be justified, given the projected number of participants.

Ms. Jones:

If the Subcommittees recommend discontinuation of the FMP, Fiscal staff would work with the Legislature on drafting a bill to facilitate the demise of the program.

Mark Krmpotic (Senate Fiscal Analyst):

Fiscal staff will take careful consideration of the language of such a bill. We investigated the continuation of NOD fees, which is a General Fund revenue source in the amount of approximately \$2.7 million over the biennium. A portion of statute could continue that revenue source if this program were ultimately dissolved.

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE NATIONAL SETTLEMENT ADMINISTRATION FUNDS TRANSFERS OF \$798,632 FROM THE OFFICE OF THE ATTORNEY GENERAL, REINSTATEMENT OF MEDIATION SERVICE FEES OF \$522,400, NOTICE OF DEFAULT FEES OF \$386,145 AND PHOTOCOPY SERVICE CHARGE FEES OF \$50 OVER THE 2015-2017 BIENNIUM TO CONTINUE THE FORECLOSURE MEDIATION PROGRAM, AND TO GRANT FISCAL STAFF AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN KIRNER SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED. (ASSEMBLYWOMEN BUSTAMANTE ADAMS AND SWANK VOTED NO.)

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SENATE: THE MOTION CARRIED. (SENATOR WOODHOUSE VOTED NO.)

* * * * *

Chair Goicoechea:

Fiscal staff will work to dissolve the FMP. There will be a General Fund appropriation of approximately \$200,000, but as much as \$2.7 million that might not otherwise be available, will become available.

Ms. Jones:

Fiscal staff will, to the best of our ability, prepare those technical adjustments by the time this budget is brought before the full Committees.

Jennifer Gamroth (Program Analyst):

I will present the budget closing action report for the Department of Taxation, B/A 101-2361.

FINANCE AND ADMINISTRATION

TAXATION

Department of Taxation — Budget Page TAXATION-9 (Volume I)
Budget Account 101-2361

The Department of Taxation administers the majority of the State's nongaming tax laws, as well as the Local Government Budget Act. The Department is also responsible for developing annual population estimates of the State, counties, cities, towns and townships. The Department comprises four major divisions: Administrative Services and Fiscal, Information Technology, Compliance and Local Government Services. Its main office is in Carson City, and district offices are in Las Vegas, Henderson and Reno. The Department is primarily funded through General Fund appropriations.

The four major closing issues in B/A 101-2361 are summarized on pages 40 through 42 of [Exhibit C](#). The first major issue is the restructuring of the State business license fee (BLF).

The Governor's Executive Budget Overview, under "additional Revenue Reforms," [(Volume I) INTRODUCTION-8] recommends the restructuring of the BLF to a tiered structure based on company size as determined by revenues. Senate Bill 252, amended and passed in the Senate on April 21, 2015, would implement this initiative.

SENATE BILL 252 (1st Reprint): Revises provisions governing the state business license fee. (BDR 32-1185)

In conjunction with this proposal, Governor Brian Sandoval recommends General Fund appropriations of \$3.8 million over the 2015-2017 biennium to implement the recommendation to restructure the BLF.

The recommended \$3.8 million would fund: 24 new positions and associated operating costs; contracted programming costs to update the online tax systems to accept payments and returns for the new tax; lock box services for processing and depositing taxpayer payments; data capturing, imaging and indexing of all transactions and temporary clerical services for the initial processing of tax returns and payments.

Amendment No. 221 to S.B. 252, changed the effective date for the new BLF from October 1, 2015, to July 1, 2015. Accordingly, the Department has modified its fiscal note, which increases the Department's anticipated costs to manage the proposed BLF.

The fiscal note attached to the bill includes starting positions in FY 2015 to prepare for the start date of July 1, 2015. It also includes an increase in the number of positions needed for the 2015-2017 biennium from 24 positions to 28 positions. The Department is projecting additional costs in FY 2015, totaling \$584,382 and an increase over the amounts recommended in the Executive Budget in decision unit E-230 for both years of the 2015-2017 biennium.

E-230 Efficient and Responsive State Government — Page TAXATION-13

The cost for FY 2016 is an estimated increase from \$2.5 million to \$2.7 million. For FY 2017, the increase will be from \$1.3 million to \$2.7 million. The total

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estimated cost increase for the biennium will be \$1.6 million over the amount recommended in E-230.

An amendment increasing General Fund appropriations has not been received by the Budget Division.

Chair Goicoechea:

Since we do not know the outcome of S.B. 252, we should appropriate the funds in the back language of the Appropriations Act, depending upon the passage and approval of this bill.

Assemblyman Anderson:

It would be premature to set this money aside, so a back-language proposal seems advisable.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO NOT APPROVE THE GOVERNOR'S RECOMMENDATION OF GENERAL FUND APPROPRIATIONS TOTALING \$3.8 MILLION OVER THE 2015-2017 BIENNIUM TO IMPLEMENT THE RECOMMENDATION TO RESTRUCTURE THE BUSINESS LICENSE FEE UNDER THE DEPARTMENT OF TAXATION, BUT INSTEAD APPROVE THE RECOMMENDATION TO INCLUDE GENERAL FUND APPROPRIATIONS TOTALING \$3.8 MILLION OVER THE 2015-2017 BIENNIUM FOR THE IMPLEMENTATION OF THE RESTRUCTURING OF THE BUSINESS LICENSE FEE IN THE BACK LANGUAGE OF THE APPROPRIATIONS ACT CONTINGENT UPON THE PASSAGE AND APPROVAL OF A BILL THAT REQUIRES ADDITIONAL STAFFING AT THE DEPARTMENT OF TAXATION.

SENATOR ROBERSON SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Gamroth:

The second major closing issue in the Department of Taxation budget is outlined on page 43 of [Exhibit C](#). Four new positions, in addition to the 24 new positions already recommended in the Executive Budget, are recommended to implement restructuring the BLF.

The Governor recommends General Fund appropriations of \$466,477 over the 2015-2017 biennium in decision unit E-225 for one IT professional to serve as the Department's information security officer and one IT technician to provide on-site support to southern Nevada offices to serve the 92 users there.

E-225 Efficient and Responsive State Government — Page TAXATION-11

In addition to the new positions, the recommended funding supports operating costs and \$214,200 in FY 2017 for Oracle data masking software, data partitioning software and advanced database security encryption software.

The new software is needed regardless of whether the new positions are approved.

ASSEMBLYWOMAN BUSTAMANTE ADAMS MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO FUND ONE NEW IT PROFESSIONAL POSITION, WHICH WOULD SERVE AS THE DEPARTMENT'S INFORMATION SECURITY OFFICER AND ONE NEW IT TECHNICIAN POSITION TO PROVIDE ONSITE SUPPORT TO SOUTHERN NEVADA OFFICES AND ASSOCIATED OPERATING EXPENSES FUNDED WITH GENERAL FUND APPROPRIATIONS TOTALING \$252,277 OVER THE 2015-2017 BIENNIUM AND \$214,200 IN FY 2017 FOR NEW ORACLE DATA MASKING SOFTWARE, DATA PARTITIONING SOFTWARE AND ADVANCED DATABASE SECURITY ENCRYPTION SOFTWARE.

SENATOR ROBERSON SECONDED THE MOTION.

Assemblyman Edwards:

The salary levels would indicate these are fairly senior positions. Who is doing the work now?

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Chair Goicoechea:

The transition to this updated software requires these positions.

Ms. Gamroth:

Existing staff is attempting to complete the tasks that would be assigned to the IT professional position, but those efforts are impacting other required duties. The IT technician position does not currently exist in southern Nevada; staff from the Carson City office travel there to complete those duties. If an emergency occurs in southern Nevada, the Department has to hire contractors.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Gamroth:

Decision unit E-226 requests a management analyst position and an auditor position.

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The management analyst is needed due to increased responsibilities created by legislative mandates requiring statistical analysis for revenue forecasting, development of fiscal notes, and tracking and analyzing various kinds of abatements.

Other State agencies, including the Department of Education, the Department of Health and Human Services, the Budget Division and the Office of the State Treasurer, have increased their requests for data analysis.

Duties recommended for the management analyst position include: projection of property tax revenues after application of abatements for local governments; estimation of the Net Proceeds of Mineral Taxes (NPOMT) for use by local governments; estimation of revenue for consolidated tax distributions; certification to the State Superintendent of Public Instruction of the total ad valorem taxes to be received by each school district; coordination with

county treasurers and assessors to obtain necessary data to produce the "Top Ten Taxpayers" report and production of schedules of information regarding property and sales taxes that become part of the bond issue report.

As outlined in the class specifications, a management analyst position performs technically complex assignments critical to agency operations. The position would conduct more complex, sensitive, investigative and analytical studies that may involve any aspect of the agency's operations, such as planning, research, policy development, budgeting and legislative drafting.

In analyzing the recommendation for a new management analyst position and comparing the proposed duties of the position with other class specifications, it appears the proposed duties would align more closely to an economist position.

As outlined in the class specifications, an economist position would prepare and conduct research, analysis and studies of economic, social, fiscal and other factors in relation to topic of study. An economist conducts research and analysis of economic, social, industrial and/or employment factors in order to identify trends and possible implications to the State. This position collects, analyzes and interprets data such as labor market trends, population projections and industrial activity in order to produce economic forecasts to be used by other State agencies in forecasting budgetary and service delivery levels.

Based on the proposed duties provided by the Department for the management analyst position, Fiscal staff would recommend an economist position, instead of the management analyst position requested in decision unit E-226. This position reclassification would cost approximately 4 percent more than the amount recommended by the Governor, an increase of approximately \$1,931 in FY 2016 and approximately \$2,673 in FY 2017.

SENATOR WOODHOUSE MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ONE NEW ECONOMIST POSITION, WHICH APPEARS TO BE MORE CLOSELY ALIGNED WITH THE DUTIES PROPOSED BY THE DEPARTMENT, WHICH WOULD REQUIRE ADDITIONAL GENERAL FUND APPROPRIATIONS TOTALING \$1,931 IN FY 2016 AND \$2,673 IN FY 2017.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Gamroth:

The second position included in E-226 is an auditor to act as a team lead position for the NPOMT audits. Due to the complex nature of the NPOMT audits, the Department believes that staff effectiveness and efficiency would be enhanced with a team lead to supervise these audits.

Section 17 of Senate Bill No. 493 of the 76th Session required the Department to submit a comprehensive audit program that set forth the plan for completing an audit of every mining operator or other person who is required to file a statement concerning the extraction of minerals in the State.

Since the approval of S.B. No. 493 of the 76th Session, two auditor positions, the real property transfer tax auditor and the performance auditor from the Division of Local Government Services, were reassigned to the Compliance Division to perform NPOMT audits, for a total of four positions working on NPOMT audits.

The desired annual penetration rate for the NPOMT audits is 11 percent annually, as compared to the current rate of 8 percent. The new auditor position would improve the audit penetration rate by approximately 3 percent, allowing the Department to reach the desired rate of 11 percent. However, the real property transfer tax and performance audit programs would have limited resources, because auditors for those programs would continue to be devoted to NPOMT audits 100 percent of the time.

Full NPOMT audits of every mine in the State occur on a 10-year cycle. At the Subcommittees' request, the Department has identified the resources required to increase the audit cycle to 5 or 7 years.

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A 5-year audit cycle would require an annual penetration rate of 20 percent. In addition to the one new auditor position recommended in decision unit E-226, three additional auditors would be needed, at the cost of \$221,635 in FY 2016 and \$203,710 in FY 2017.

Chair Kirner:

The State needs to keep current on these audits. The return on investment far exceeds the costs.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE ONE NEW AUDITOR POSITION AS RECOMMENDED BY THE GOVERNOR AND ADD THREE ADDITIONAL AUDITOR POSITIONS TO ENABLE THE DEPARTMENT TO IMPROVE THE NPOMT AUDIT PENETRATION RATE BY REDUCING THE CURRENT AUDIT CYCLE OF EACH MINE TO 5 YEARS, INCLUDING AUTHORITY FOR FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS BASED UPON THE FINAL DECISION OF THE SUBCOMMITTEES, REQUIRING ESTIMATED ADDITIONAL GENERAL FUND APPROPRIATIONS OF \$221,635 IN FY 2016 AND \$203,710 IN FY 2017.

ASSEMBLYWOMAN BUSTAMANTE ADAMS SECONDED THE MOTION.

Chair Goicoechea:

The 5-year audit cycle should prove to be worthwhile.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Gamroth:

The third major closing issue in the Department of Taxation budget is the reclassification of nine auditor positions, as described on pages 47 and 48 of [Exhibit C](#).

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The Governor recommends General Fund appropriations of \$60,940 over the 2015-2017 biennium to reclassify nine auditor positions to supervising auditors.

The positions being reclassified are section supervisors, overseeing a staff of at least four lower-level auditors. The incumbents review all completed audits in their respective sections, and serve as the first step in resolving appealed determinations. The Department is unable to retain qualified candidates for these positions, based on the scope and responsibilities of the job.

ASSEMBLYMAN ANDERSON MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE THE GOVERNOR'S RECOMMENDATION TO RECLASSIFY NINE AUDITOR POSITIONS TO SUPERVISING AUDITORS FUNDED WITH GENERAL FUND APPROPRIATIONS OF \$60,940 OVER THE 2015-2017 BIENNIUM.

ASSEMBLYMAN EDWARDS SECONDED THE MOTION.

Assemblyman Edwards:

It would be prudent to reclassify these positions in order to retain the positions' expertise within the Department of Taxation.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

* * * * *

Ms. Gamroth:

The final major closing issue in the Department of Taxation budget is for a new unclassified State demographer position. The Budget Division submitted Budget Amendment No. A150862361 on April 30, 2015, which proposes to eliminate the current contract with the University of Nevada, Reno (UNR) upon its June 30, 2015, expiration.

The General Fund appropriations for that contract are \$186,186 in each year of the 2015-2017 biennium, and the recommendation is to use those funds for the

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new demographer position and its associated operating costs within the Department of Taxation.

The transition from a contract with UNR to a new unclassified State demographer position would result in General Fund savings of \$9,390 in FY 2016 and \$17,522 in FY 2017. The new position would allow the Department to have control of the resources used to produce demographic information.

Pursuant to NRS 360.283, the Department is required to establish a method for annually determining the population of each town, township, city and county in the State, and prepare and submit to the Governor annually the Department's determination of the population. The statute also requires the Department to employ a demographer to assist in the determination of population and the projection of population.

ASSEMBLYMAN KIRNER MOVED TO RECOMMEND TO THE FULL COMMITTEES TO APPROVE BUDGET AMENDMENT NO. A150862361, WHICH WOULD ELIMINATE THE CONTRACT WITH UNR UPON ITS EXPIRATION ON JUNE 30, 2015, AND UTILIZE THE FUNDING TO FUND A NEW UNCLASSIFIED STATE DEMOGRAHER POSITION AND ASSOCIATED OPERATING COSTS IN THE DEPARTMENT OF TAXATION TOTALING \$176,796 IN FY 2016 AND \$168,664 IN FY 2017, AND WOULD RESULT IN A GENERAL FUND SAVINGS OF \$9,390 IN FY 2016 AND \$17,522 IN FY 2017.

SENATOR WOODHOUSE SECONDED THE MOTION.

* * * * *

Assemblyman Edwards:

Could this new position be classified, instead of unclassified?

Ms. Gamroth:

The Department is requesting an unclassified position to aid in recruitment of the best candidate.

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Chair Goicoechea:

This is unclassified, which is not the same as nonclassified. We can save money by housing this individual in the appropriate agency where required by statute. Our contract with UNR gives us no control over what we are paying that demographer.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Ms. Gamroth:

Other closing items include recommendations for replacement and new computer equipment.

E-710 Equipment Replacement — Page TAXATION-14

E-720 New Equipment — Page TAXATION-14

The final recommendation for this budget account is an increase in the cost allocation for centralized agency human resources.

E-804 Cost Allocation — Page TAXATION-14

ASSEMBLYMAN EDWARDS MOVED TO RECOMMEND TO THE FULL COMMITTEES THAT OTHER CLOSING ITEMS BE CLOSED AS RECOMMENDED BY THE GOVERNOR WITH TECHNICAL ADJUSTMENTS NOTED BY STAFF AND TO GRANT STAFF AUTHORITY TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYMAN HICKEY SECONDED THE MOTION.

ASSEMBLY: THE MOTION CARRIED UNANIMOUSLY.

SENATE: THE MOTION CARRIED UNANIMOUSLY.

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Chair Goicoechea:

Seeing no other business before the Subcommittees, I will adjourn this meeting at 9:42 a.m.

RESPECTFULLY SUBMITTED:

Susan McArthur,
Committee Secretary

APPROVED BY:

Senator Pete Goicoechea, Chair

DATE: _____

Assemblyman Randy Kirner, Chair

DATE: _____

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EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	2		Agenda
	B	2		Attendance Roster
	C	49	Legislative Counsel Bureau, Fiscal Analysis Division	General Government Joint Subcommittee Closing List #5