

**MINUTES OF THE LEGISLATIVE COMMISSION'S
BUDGET SUBCOMMITTEE**

**Seventy-Eighth Session
January 28, 2015**

The meeting of the Legislative Commission's Budget Subcommittee was called to order by Chair Ben Kieckhefer at 8:41 a.m. on Wednesday, January 28, 2015, in Room 4100 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, 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 COMMITTEE MEMBERS PRESENT:

Senator Ben Kieckhefer, Chair
Senator Michael Roberson, Vice Chair
Senator Pete Goicoechea
Senator Mark Lipparelli
Senator David R. Parks
Senator Joyce Woodhouse
Senator Debbie Smith

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Assemblyman D. Paul Anderson, Chair
Assemblyman John Hambrick, Vice Chair
Assemblyman Derek W. Armstrong
Assemblywoman Teresa Benitez-Thompson
Assemblywoman Irene Bustamante Adams
Assemblywoman Maggie Carlton
Assemblywoman Jill Dickman
Assemblyman Chris Edwards
Assemblyman Pat Hickey
Assemblywoman Marilyn Kirkpatrick
Assemblyman Randy Kirner
Assemblyman James Oscarson
Assemblyman Michael C. Sprinkle
Assemblywoman Heidi Swank
Assemblywoman Robin L. Titus, M.D.

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Alex Haartz, Principal Deputy Fiscal Analyst
Stephanie Day, Principal Deputy Fiscal Analyst
Mandi Davis, Program Analyst
Adam Drost, Program Analyst
Jeff Ferguson, Senior Program Analyst
Jennifer Gamroth, Program Analyst
Emily Cervi, Committee Assistant
Trish O'Flinn, Committee Secretary

OTHERS PRESENT:

Claudia Vecchio, Director, Department of Tourism and Cultural Affairs
David Peterson, C.P.M., Operations and Finance Manager, Commission on
Tourism
Janet Geary, Publisher, *Nevada Magazine*, Department of Tourism and Cultural
Affairs
Sherry L. Rupert, Executive Director, Nevada Indian Commission
Peter D. Barton, Administrator, Division of Museums and History
Susan Boskoff, Executive Director, Nevada Arts Council
Kay Scherer, Deputy Director, State Department of Conservation and Natural
Resources
Leo Drozdoff, P.E., Director, State Department of Conservation and Natural
Resources
Tony Wasley, Director, Department of Wildlife
Patrick Cates, Deputy Director, Department of Wildlife
Tyler Turnipseed, Chief Game Warden, Department of Wildlife
Jim Barbee, Director, State Department of Agriculture
Kathleen Sandoval, First Lady of Nevada
Dale Hansen, Fiscal Administrator, State Department of Agriculture
Deonne E. Contine, Executive Director, Department of Taxation
Paulina Oliver, Deputy Director, Department of Taxation

Chair Kieckhefer:

At this time we will take public comment. Seeing none in either Carson City or Las Vegas, we will start with the Department of Tourism and Cultural Affairs.

Claudia Vecchio (Director, Department of Tourism and Cultural Affairs):

Please refer to the handout titled "Nevada Department of Tourism and Cultural Affairs Preserving History, Celebrating Today, Innovating for the New Nevada, Budget Hearing" ([Exhibit C](#)). The Department of Tourism and Cultural Affairs was established in 2011 by the Nevada Legislature and comprises six areas: the Division of Tourism, *Nevada Magazine*, the Nevada Indian Commission, Nevada Humanities, the Nevada Arts Council and the Division of Museums and History. There are also four boards and commissions associated with this Department: the Commission on Tourism, the Board of the Nevada Arts Council, the Board of Museums and History and the Nevada Indian Commission. The mission and activities of the Department align closely with the Governor's initiatives to create a sustainable and growing economy, create safe and livable communities, create an educated and healthy citizenry and to promote efficient and responsible State government. The first budget we will discuss will be the Division of Tourism.

COMMERCE AND INDUSTRY

TOURISM AND CULTURAL AFFAIRS

Tourism – Tourism Development Fund – Budget Page Tourism-14 (Volume II)
Budget Account 225-1522

The mission of the Division of Tourism is to enhance the economic vitality of the State and its statewide tourism industry. Tourism generates revenue through lodging, sales, entertainment and gaming taxes. Tourism means jobs: 474,300 Nevadans are employed in the tourism industry. The tourism industry is diversifying and marketing for tourism is diversifying as well. The nongaming revenue associated with tourism has outpaced the gaming revenue. Direct travel spending is up 4.8 percent, lodging taxes are up 10.1 percent and overall tax receipts are up 3.9 percent. The Division of Tourism budget is performance based and is fully funded by the lodging tax.

David Peterson, C.P.M. (Operations and Finance Manager, Commission on Tourism):

The table on page 9 of [Exhibit C](#) is a 4-year snapshot starting with fiscal year (FY) 2014 and including the forecasts for FY 2015 through FY 2017. Total lodging tax revenue in FY 2014 was \$19,279,041, an increase of 9.3 percent

over FY 2013. This increase was driven by a substantial rise in the average daily room rate, as well as large gaming properties reinstating amenity and resort fees. The projection for FY 2015 is \$20,168,271, up 4.6 percent. Room tax revenue is expected to continue growing over the upcoming biennium: \$20,582,810 for FY 2016 and \$21,182,998 for FY 2017. Average daily room rates will continue to increase along with the number of properties charging amenity and resort fees. Visitor volume is anticipated to rise slightly while room inventory will remain flat at 196,703 rooms over the biennium, contributing to higher occupancy rates—nearing 90 percent in Las Vegas by FY 2017. Lodging tax revenues in FY 2014 totaled \$621,492,065; with 3 percent allocated to the Division of Tourism.

Ms. Vecchio:

The Division of Tourism has two major program components: marketing and education. The State of Nevada is the commodity we market using key channels to capture the attention and dollars of potential visitors. In 2012, we launched a new statewide brand as highlighted on the poster “Nevada. A World Within. A State Apart.” ([Exhibit D](#)). A brand is more than a slogan, it is an identity. This poster is a visual and textual representation of the “maverick, bodacious” personality of Nevada. “Don’t Fence Me In” is the slogan of the tourism campaign, used by a commercial message playing throughout Nevada and adjacent states.

As educators, we have a two-fold mission: first, to educate members of the Nevada tourism industry to raise the level of expertise of all participants; and second, to educate travelers about the depth and breadth of experiences available throughout the State. Industry education is primarily achieved through semiannual conferences highlighting best practices and insights from proven veterans in the business. Educating travelers is accomplished through an integrated marketing program. There are three program categories: marketing and advertising, public relations and sales and industry partners, including international sales and marketing.

International sales and marketing outreach is increasingly important. International travel is expected to grow 25 to 35 percent throughout the U.S. The Division of Tourism operates nine international offices.

For every \$1 invested in tourism marketing, \$33 comes back to the State, a ratio of 33:1. Last Session, that ratio was 19:1. The improvement is a result of the new brand campaign, better and more effective media buys and the use of additional marketing channels.

Mr. Peterson:

The list of enhancement units for budget account (B/A) 225-1522 begins on page 22 of [Exhibit C](#). The first unit requests \$355,000 in each year of the biennium to fund additional media buys in key feeder markets, as well as for additional sales and media relations efforts to enhance airline service. We are also requesting funding for an office in India at a cost of \$70,000 each year of the biennium.

E-125 Sustainable and Growing Economy — Page TOURISM-16

E-127 Sustainable and Growing Economy — Page TOURISM-16

Another request would transfer \$50,000 each year to support a direct marketing campaign to drive new subscriptions for *Nevada Magazine*. Finally, funding is requested for a new information technology (IT) position located in southern Nevada to ensure adequate resources are available to accommodate the workload.

E-130 Sustainable and Growing Economy — Page TOURISM-18

E-225 Efficient and Responsive State Government — Page TOURISM-18

Ms. Vecchio:

The Tourism Development account is the mechanism used to extend infrastructure grants to tourism properties. The Governor's Recommended Budget remains flat at \$100,000 each year of the biennium. For more information about our programs and how we use our budget, refer to the handout "Who We Are, What We Do" ([Exhibit E](#)).

Tourism - Tourism Development — Budget Page TOURISM-24 (Volume II)
Budget Account 225-1523

The next budget is B/A 101-1530, *Nevada Magazine*.

Tourism - Nevada Magazine — Budget Page TOURISM-25 (Volume II)
Budget Account 530-1530

Janet Geary (Publisher, *Nevada Magazine*, Department of Tourism and Cultural Affairs):

We are an enterprise fund using subscription and advertising revenue to operate our business. Our job is to foster awareness of Nevada's cities and towns, heritage, culture and natural wonders. During the Sesquicentennial, we produced eight issues covering the history of Nevada. We publish six issues of *Nevada Magazine* ([Exhibit F](#)) a year. We also produce the State's visitor guide, *Travel Nevada, Las Vegas: Events and Shows* and *Nevada: Events and Shows*. We have a robust online portal, nevadamagazine.com, to which new content is posted every day. We are also active on social media outlets such as Facebook, Twitter and Instagram.

We currently have 10,000 subscribers to *Nevada Magazine* and hope to increase circulation by approximately 2,600 through a direct-mail campaign to Nevada residents. A transfer from B/A 225-1522 to the *Nevada Magazine* budget account of \$50,000 each year of the biennium would be used to fund these efforts.

E-130 Sustainable and Growing Economy — Page TOURISM-27

Performance measures for our budget include average time on our website and total earned revenue. The website has recently been redesigned and we are seeing an increase in average session length. The total earned revenue is expected to increase by \$40,000 a year in FY 2015, FY 2016 and FY 2017.

Assemblyman Hickey:

As an enterprise fund, *Nevada Magazine* is self-funded; yet, you are requesting money for marketing. What percentage of the current revenue contributes to the Magazine paying for itself? Will the additional funds for marketing help?

Ms. Geary:

Currently, the Magazine is self-sufficient. But we do not have money to market the Magazine and increase subscriptions. The estimate of 2,600 new subscribers would generate \$50,000 each year.

Ms. Vecchio:

The next item will be the Nevada Indian Commission budget.

Tourism – Indian Commission– Budget Page Tourism-31 (Volume II)
Budget Account 101-2600

Sherry L. Rupert (Executive Director, Nevada Indian Commission):

I am the Executive Director of the Nevada Indian Commission and Governor Brian Sandoval's liaison to the 27 tribal nations in the State. The mission of the Indian Commission is to ensure the well-being of American Indian and Alaska Native citizens statewide. We accomplish this through development of tribal tourism, Indian and general education, providing assistance as requested, as well as strengthening government-to-government relationships.

Development of tribal tourism includes outreach and technical assistance to tribes through an annual conference. We are also involved in the coordination, marketing and promotion of American Indian exhibits, cultural events, attractions and museums.

Education is a top priority throughout the State. The Indian Commission works to raise awareness of the importance of education and increase successful outcomes for American Indian and Alaska Native students living in Nevada. In addition, education of the general public and government officials regarding sovereignty and regulations is an ongoing endeavor.

The Governor's Recommended Budget contains a major initiative to restore the Stewart Indian School.

Tourism – Stewart Indian School Living Legacy– Budget Page Tourism-12
(Volume II)
Budget Account 101-2601

The Stewart Indian School was created by the Nevada Legislature in 1888 and opened in 1890. There are over 60 buildings on 110 acres in Carson City. The philosophy of Indian boarding schools was to foster assimilation through isolation from home and family and immersion in a new language and culture.

The land was originally deeded to the federal government for the school. When the school closed in 1980, the deed was transferred through a series of transactions to the State of Nevada. Within the deed is a requirement that Building Number 1 will be used to house and display the crafts, artifacts and memorabilia of the school to perpetuate its 90-year history. If this provision is not met, the deed will revert to the federal government. The buildings are decaying and fewer alumni survive every year. In addition, the site is a candidate for designation as a National Historic Landmark.

Assemblywoman Swank:

I understand families used to camp around the perimeter of the school. Is there a plan for an archeological survey of these areas?

Ms. Rupert:

The University of Nevada, Reno held an archeological field school 2 years ago. They collaborated with the tribes to determine what areas to focus on and how they would proceed. There are plans for further field schools.

Assemblyman Hickey:

Will the old gym be part of the preservation?

Ms. Rupert:

The old gym is the heart of the campus. Many of the alumni stories center on the gym. Unfortunately, that building is in such bad shape there currently are no plans for its rehabilitation.

Senator Smith:

If the site receives a National Historic Landmark designation, will that lead to grant revenue?

Ms. Rupert:

I have been told that the designation process takes 2 to 5 years. Additionally, I have been cautioned that a designation does not automatically guarantee grant funding; grant applications related to a building with a Historic Landmark designation would seem to have greater appeal to grant awarding bodies.

Assemblywoman Titus:

What are the plans for the State agencies currently using the site?

Ms. Rupert:

There are several State agencies currently using the site. The first phase is the creation of a cultural center and a welcome center, which will not affect these agencies. Long term, there are plans to utilize some of the other buildings, none of which are being utilized by State agencies.

Two new staff will be needed to support the first phase of this project at a cost of \$122,177 in FY 2017.

E-275 Educated and Healthy Citizenry — Page TOURISM-12

Ms. Vecchio:

The budget for Nevada Humanities remains at \$50,000 a year to support programming.

Tourism – Nevada Humanities – Budget Page Tourism-30 (Volume II)
Budget Account 101-2894

The next budget accounts are in the Division of Museums and History.

Tourism – Museums & Hist – Budget Page Tourism-44 (Volume II)
Budget Account 101-2941

Peter D. Barton (Administrator, Division of Museums and History, Department of Tourism and Cultural Affairs):

The Division of Museums and History, along with the Office of Historic Preservation, Division of State Parks and the Department of Administration's Division of State Library and Archives, make, keep and celebrate Nevada's memory. There are seven State museums which are listed on page 50 of [Exhibit C](#). We collect, curate, conserve and create exhibits, as well as offer educational programs and research services. We are part of Nevada's tourism industry and community development. In 2013, we had 452 volunteers contribute 50,901 hours of service valued at \$969,664.

Attendance rose 3.2 percent from FY 2013 to FY 2014, which translates into increased revenue. The East Ely Railroad Depot Museum entered into a joint ticket and revenue agreement with the White Pine Historical Railroad Foundation. Customers can partake of both experiences for one price. The

response has been overwhelming. Attendance during the first 6 months of FY 2015 is 50 percent more than forecast. The Nevada State Museum in Las Vegas entered into a new interlocal revenue sharing agreement with the Las Vegas Valley Water District that was approved by the State Board of Examiners this month. The Division of Museums and History has now repaid \$22,000 of the \$53,000 advanced by the Interim Finance Committee (IFC) in June 2014. The remaining balance will be transferred shortly to fully repay the IFC Contingency Fund. This new agreement expands the pool of tickets from which the State receives a portion of the revenues, as well as clarifies existing and establishes new mutual benefits for both parties.

The performance measures for the Division of Museums and History include total population served, percentage of out-of-state visitors, acquisition and processing of artifacts and archival material, educational impact, number of research inquiries handled and customer satisfaction. We anticipate a modest increase in population served, consistent with the forecast for lodging tax revenues. The educational impact in FY 2014 was 49,529 served and it is expected to be 53,899 served in FY 2015 due to the number of Sesquicentennial events in those years. We expect to serve fewer in FY 2016 and FY 2017.

The strategic priorities and challenges of the Division of Museums and History include increasing public services, enhancing collaboration with the formal education system, promoting museum programs and services, creating barrier-free equal access to programming, recruitment and training of staff, relocation of the Division office and other maintenance needs. One key challenge is the need for more storage capacity for collections management. Due to lack of space to store collections, we have had to reduce the rate of collecting Nevada's history and heritage.

The Division administrative office in Carson City was deemed structurally impaired and vacated in November 2014. Enhancement unit E-225 is a request for a new building lease and moving costs. The total cost over the biennium is \$60,101.

We are beginning to deploy interactive, stand-alone kiosks in our museums to improve visitor services and to better capture data about visitors. Kiosks are currently in place at the Nevada State Museum in Carson City and the Lost City Museum in Overton. Enhancement unit E-720 is a request for \$12,074 to fund kiosks at the State Museum in Las Vegas and the Nevada State Railroad Museum in Boulder City.

E-720 New Equipment — Page TOURISM-47

Requests for in-state travel funding, both for professional development and to transfer collections among the institutions, are in the relevant museums' specific budget accounts. The requests total \$15,928 for the biennium.

Tourism - Museums & Hist - Lost City Museum — Budget Page TOURISM-49
(Volume II)

Budget Account 101-1350

E-226 Efficient and Responsive State Government — Page TOURISM-51

Tourism - Museums & Hist - State Railroad Museums — Budget Page TOURISM-72 (Volume II)

Budget Account 101-4216

E-230 Efficient and Responsive State Government — Page TOURISM-74

Tourism - Museums & Hist - Nevada State Museum CC — Budget Page TOURISM-60 (Volume II)

Budget Account 101-2940

E-230 Efficient and Responsive State Government — Page TOURISM-62

In FY 2014, 9.6 percent of all visitors to Nevada's seven State museums were students and educators. Additionally, 11,090 students participated in museum outreach programs. Currently, the State Museum in Las Vegas is open Thursday through Monday; schools do not usually schedule field trips on either Monday or Friday, leaving only Thursday to serve that audience. This budget proposes a new staff position to allow the museum to open on Wednesdays.

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 12

Tourism - Museums & Hist - Nevada State Museum LV – Budget Page
Tourism—67 (Volume II)
Budget Account 101-2943

E-228 Efficient and Responsive State Government — Page TOURISM-69

Nevada's oldest museum, the Nevada Historical Society in Reno, needs a museum director III to meet strategic priorities and increased demand. Additional in-state travel funds are also requested for this budget account in decision unit E-228.

Tourism - Museums & Hist-Nevada Historical Society — Budget Page
TOURISM-54 (Volume II)
Budget Account 101-2870

E-227 Efficient and Responsive State Government — Page TOURISM-56

E-228 Efficient and Responsive State Government — Page TOURISM-56

The Nevada State Museum in Carson City, B/A 101-2940, requires several maintenance projects. The lighting of exhibits in both the Museum and Capitol Building will cost \$12,000. Maintenance of the Dema Guinn Concourse will cost \$17,640, and water tank maintenance at the Indian Hills Curatorial Center will cost \$5,000.

E-231 Efficient and Responsive State Government — Page TOURISM-62

E-730 Maintenance of Buildings and Grounds — Page TOURISM-63

E-731 Maintenance of Buildings and Grounds — Page TOURISM-64

Chair Kieckhefer:

The next item on the agenda is the Nevada Arts Council.

Tourism - Nevada Arts Council — Budget Page TOURISM-84 (Volume II)
Budget Account 101-2979

Susan Boskoff (Executive Director, Nevada Arts Council):

Much of my presentation is in the "Nevada Arts Council Annual Report, FY 2014" ([Exhibit G](#)). The Nevada Arts Council was established as a State agency in 1967. Six program areas work in concert to serve the residents of

Nevada and support the mission of the Arts Council, which is to enrich the cultural life of the State through leadership that preserves, supports and makes excellence in the arts accessible to all Nevadans. The commitment to quality arts education for our children and learning through the arts for all ages and all stages of life permeates all the Agency does. The Arts Council is well-known for its grants programs. Details of these grants are in [Exhibit G](#), starting on page 7. In addition to grants programs, the talented staff at the Arts Council designs outreach programs and initiatives for communities with limited cultural opportunities. Additionally, our staff facilitates workshops and statewide communication networks, promotes collaborations and partnerships, provides assistance across the State to new and restructuring organizations and offers guidance to artists and municipalities in support of local cultural programming. As part of the Arts Council's strategic planning process, staff and board members traveled more than 2,600 miles last spring to attend 13 Arts Town meetings in nine counties and engaged more than 500 Nevadans in conversation on the arts. The Nevada Arts Council delivers traveling visual-arts exhibits to libraries, museums and city halls throughout Nevada. In FY 2014, 42,099 people attended these traveling exhibits in 11 counties.

The Nevada Arts Council collects data from all grantees for an extensive annual report required by the National Endowment for the Arts. This same information is used for our performance measures and projections. The Arts Council strives for outcomes that enhance the quality of life in Nevada's urban and rural communities. The arts are a key element in creating communities where people want to live, work, learn and play. People want to visit places where people want to live, and businesses want to locate in vibrant communities with a wealth of experiences for their workers and families. To meet these goals, the Nevada Arts Council requests increased funding for subgrant categories by \$150,000 annually as shown in enhancement unit E-226. Additionally, servers and computer hardware and software upgrades for both Las Vegas and Carson City are requested in enhancement unit E-710.

E-226 Efficient and Responsive State Government — Page TOURISM-86
E-710 Equipment Replacement — Page TOURISM-87

This year marks the tenth anniversary of the national Poetry Out Loud! program. During the first year of the program, 200 Nevada students, parents and teachers participated. Thus far this year, 3,139 students, 53 teachers,

34 schools and 14 counties are participating. The State finals will be held in Reno on March 14, 2015.

Chair Kieckhefer:

We will hear the presentation of the State Department of Conservation and Natural Resources (DCNR).

INFRASTRUCTURE

CONSERVATION & NATURAL RESOURCES

DCNR - Administration — Budget Page DCNR-22 (Volume III)
Budget Account 101-4150

Kay Scherer (Deputy Director, State Department of Conservation and Natural Resources):

I will refer to the document titled "DCNR Pre-Session Budget Overview" ([Exhibit H](#)) throughout my presentation. The DCNR agencies, as shown on page 2 of [Exhibit H](#), include the Division of State Parks, which began a new Passport program in December 2014 ([Exhibit I](#)). Each State park has its own passport stamp. Visitors who collect 15 out of the 23 stamps will win free annual passes to the Nevada State Park system. The DCNR is a super department of stand-alone agencies with distinct purposes unified by the mission to conserve, protect, manage and enhance the State's resources, thus providing the highest quality of life for Nevada's citizens and visitors.

On pages 3 through 5 of [Exhibit H](#), the activities of the various Divisions of DCNR are highlighted. These activities include resource management programs, the management and allocation of State water and land including recreational use, technical support and financing of local projects to protect resources as well as public and environmental health and safety, education and public outreach. An overview of our budget and staff is shown on page 6 of [Exhibit H](#). The total full-time equivalent (FTE) staff among all agencies is 694.02, and 187 seasonal staff. The Department's budget is comprised of 27 percent General Fund appropriation in FY 2016, increasing to 28 percent in FY 2017. This funding is primarily for replacing and purchasing new equipment as detailed in individual budgets. Federal funding drops from 20 percent of the overall budget in FY 2016 to 17 percent in FY 2017. The reduction is partially due to a

decrease in federal grants in specific programs, but the majority is due to the Fire Management Assistance Grant Program that ends after FY 2016.

The major budget initiative in the DCNR Director's Office budget is the Nevada Sagebrush Ecosystem Program. This is the largest ecosystem in the State, and its health impacts the economy. There are two distinct sage grouse populations in Nevada: the bistate population along the Nevada-California border and the greater sage grouse, which is found in 11 Western states. The latter population is the primary focus of the Sagebrush Ecosystem Program. The 2013 Legislature approved A.B. No. 461 of the 77th Session which established the Sagebrush Ecosystem Council and the Sagebrush Ecosystem Technical Team. This legislation directed the Council and Technical Team to develop a State Plan, as well as to establish and carry out a long-term system and strategies for managing sagebrush ecosystems using an adaptive management framework.

The State Plan was adopted in October 2014 and provides the strategic framework for addressing threats to the greater sage grouse and its habitat. Threats to the sagebrush ecosystem in each of the 11 Western states vary. In Nevada, the primary threats include: habitat loss due to catastrophic wildfire, invasive species like cheatgrass and the encroachment of pinion-juniper. Anthropogenic disturbances are not significant in Nevada compared to other states.

Assemblywoman Titus

Why are predators not included in the list of primary threats?

Ms. Scherer:

Predators are included in the Plan, they are just not listed on page 9 of [Exhibit H](#).

Senator Goicoechea:

The budget request for the Nevada Sagebrush Ecosystem Program is just over \$4 million for the biennium. This ecosystem impacts 11 states. The Plan works for the State of Nevada, but, will it avoid an endangered species listing of the sage grouse? It could be counterproductive if the resource management plans required to avoid a listing impede the operation of Nevada's resource industries. Not only are the states creating plans, federal agencies are working on resource

plan revisions as well. Will these other plans affect Nevada's Plan? At some point, Nevada may need to litigate. The \$4 million request does not appear to include funding for litigation.

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

There are two issues: the potential listing of the sage grouse and the Bureau of Land Management's (BLM) decisions on resource management. If the preferred alternative in the resource management plan is not consistent with the State Plan, it could create an unworkable situation. The BLM resource management plan is expected to be released in the next month. Representatives from the Governor's Office, the Department of Wildlife (NDOW), DCNR and others are working with the U.S. Department of the Interior to prevent the situation you described. However, it is an evolving state of affairs. Clearing one hurdle does not guarantee clearing the next one. Your concerns about the impact of other states' resource management plans are valid, but federal agencies such as the U.S. Fish and Wildlife Service (USFWS) and the BLM are aware of the varying threats and needs in different states. Discussions with the federal agencies have been positive. They approved the State Plan in theory, but concerns remain as there is no track record for some of the strategies. We are working to provide reassurance as we implement the Plan and establish a track record.

Ms. Scherer:

The greater sage grouse management area is about 37 million acres. To better define this area, the State has adopted the habitat suitability mapping model in coordination with the U.S. Geological Survey. This model uses sage grouse telemetry location data, vegetation, topographic indices, elevation, water resources and human activity factors to predict habitat suitability. The results of the data are mapped using a geographic information system (GIS) to identify the best locations for both habitat protection and project work as shown on page 10 of [Exhibit H](#). Currently, a pinion-juniper layer is being developed, and the next layer will be a predator layer.

The *Nevada Revised Statute* (NRS) 232.162 requires the Council to establish a program to mitigate damage to the sagebrush ecosystem. In December 2014, the Council unanimously adopted the Conservation Credit System Manual and the Habitat Quantification Tool. This credit system provides for mitigation of disturbances through an exchange of debits and credits. It is a cutting-edge tool

which focuses on site-specific utilization and quantifies functional habitat acres utilizing the best available science. If avoidance or mitigation is not possible, a company can purchase credits. The credits are created through restoration projects that are funded by the purchase of the credits.

Avoiding a listing of the greater sage grouse as an endangered species depends on the USFWS' confidence that the State demonstrates regulatory assurances and certainty. One factor of that commitment is the State's funding to build capacity. Initially, the Program was supported with one-time funding that will no longer be available in the coming biennium. The chart, page 12 of [Exhibit H](#), outlines the broad categories of General Fund enhancement units requested in the Governor's Budget. The total for FY 2016 is \$1,949,850 and \$2,359,987 for FY 2017.

E-851 Special Projects — Page DCNR-28

E-852 Special Projects — Page DCNR-28

E-900 Transfer From BA 4173 To BA 4150 — Page DCNR-29

E-901 Transfer From BA 4173 To BA 4150 — Page DCNR-29

Assemblywoman Titus:

Is there still a hunting season for the sage grouse?

Ms. Scherer:

Yes, there is still a hunting season.

Mr. Drozdoff:

The Director of NDOW can answer with more detail. The data generated from the hunt is important, and the timing of the hunting season does not negatively impact conservation efforts.

Ms. Scherer:

The Nevada Division of Environmental Protection (NDEP) is a regulatory agency with a diverse range of environmental regulatory, monitoring and compliance programs. These programs include air and water quality as well as waste management and pollution control. Many are federal programs delegated to the State, which allows Nevada's regulated industries to work with State staff rather than through the federal government. The NDEP budget is financed with

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 18

federal funds, fees and transfers. There are 10 budget accounts and 259 FTEs in NDEP.

DCNR - DEP Administration — Budget Page DCNR-164 (Volume III)
Budget Account 101-3173

DCNR - State Environmental Commission — Budget Page DCNR-161
(Volume III)
Budget Account 101-4149

DCNR - DEP Air Quality — Budget Page DCNR-171 (Volume III)
Budget Account 101-3185

DCNR - DEP Water Pollution Control — Budget Page DCNR-176 (Volume III)
Budget Account 101-3186

DCNR - DEP Waste Mgmt and Corrective Action — Budget Page DCNR-181
(Volume III)
Budget Account 101-3187

DCNR - DEP Mining Regulation/Reclamation — Budget Page DCNR-189
(Volume III)
Budget Account 101-3188

DCNR - DEP State Revolving Fund - Admin — Budget Page DCNR-194
(Volume II)
Budget Account 101-3189

DCNR - DEP Water Quality Planning — Budget Page DCNR-199 (Volume III)
Budget Account 101-3193

DCNR - DEP Safe Drinking Water Regulatory Program — Budget Page
DCNR-204 (Volume III)
Budget Account 101-3197

DCNR - DEP Water Planning Cap Improvement — Budget Page DCNR-209
(Volume III)
Budget Account 101-4155

The Governor's proposed budget is flat except for new equipment to ensure the State remains compliant with federal air monitoring standards and the training and travel necessary to keep staff up to date on new regulatory requirements and technology.

Some issues were raised during the October 2013 IFC meeting regarding the Petroleum Fund, which is used by NDEP to clean up petroleum discharges. Current law caps expenditures for cleanup at \$250,000 per discharge. The operator's share of the costs of cleaning the discharge for funds expended by NDEP are required to be reimbursed by the responsible party. To eliminate some of the confusion, NDEP proposes changing the cap on expenditures to \$2 million each fiscal year and to expand the program to cover petrochemicals, such as dry cleaning solutions.

SENATE BILL 89: Revises provisions regarding expenditures from the Fund for Cleaning Up Discharges of Petroleum. (BDR 51-370)

The next budget overview is the Division of Water Resources (DWR).

DCNR - Water Resources — Budget Page DCNR-65 (Volume III)
Budget Account 101-4171

The DWR budget is 80 percent salaries and rent. This office was created in 1903 and is responsible for managing all surface and ground water, except the Colorado River. Other duties include dam safety, well drilling, floodplain management, water planning and adjudications. During the 77th Legislative Session, DWR fees were raised 20 percent; those fees were retained by the Agency, rather than returned to the General Fund and then disbursed to DWR as a General Fund appropriation. Fees were projected at \$3,672,896 for both FY 2014 and FY 2015; the actual fees collected in FY 2014 were \$3,402,112. Fees for FY 2015, based on the amount collected so far, are projected to be \$3,608,112.

Senator Goicoechea:

Will this budget be adequate, given the need for more field inspections due to changes made in the Humboldt Basin and proposed in Mason and Smith Valleys?

Ms. Scherer:

We have tried to project fees over several biennia and we are comfortable with the budget this biennium.

Mr. Drozdoff:

There may be changes in future biennia depending upon circumstances. Fees may need to be increased again.

Ms. Scherer:

There are two small enhancement units in the DWR budget, B/A 101-4171. The first is a software licensing update in FY 2017. The second request is for federally funded travel for dam safety inspections and floodplain community assistance.

E-225 Efficient and Responsive State Government — Page DCNR-68

E-710 Equipment Replacement — Page DCNR-69

During the 77th Legislative Session, DWR received funding for five new positions in the adjudication unit, bringing the total staff to seven. Adjudications quantify prestatutory water rights. In the year-and-a-half since the staff additions, DWR has initiated or revived 16 adjudications comprising 2,751 vested claims, submitted 2 final orders to district court and drafted 6 preliminary orders of determination. We also began field investigations and data collection in four adjudications and initiated three new adjudications and received one decree. Every time adjudication is accomplished, uncertainty associated with water availability is minimized. The backlog of applications has been substantially reduced. There is work for decades. Only the major rivers in Nevada have been adjudicated.

The next budget I will discuss is the Nevada Division of State Lands (NDSL).

DCNR - State Lands — Budget Page DCNR-125 (Volume III)
Budget Account 101-4173

The responsibilities of the NDSL include the State Land Office, State Land Use Planning Agency, Nevada Tahoe Resource Team, Conservation Bond Grant Program, Nevada Tahoe Regional Planning Agency and the Sagebrush Ecosystem Team. There are several enhancement units in this budget account.

Enhancement units E-900 and E-901 transfer positions to the Director's office, enhancement unit E-852 funds an environmental scientist for the Sagebrush Ecosystem Environmental Program, E-250 funds a revenue change for the program manager of the Nevada Tahoe Resource Team beginning in FY 2017 and E-720 is a technical enhancement request as part of an earlier approved Technology Investment Request.

E-900 Trans S.A. From Lands To Directors Office — Page DCNR-133
E-901 Trans MA4 From Lands To Directors Office — Page DCNR-133
E-852 Special Projects — Page DCNR-132
E-250 Efficient and Responsive State Government — Page DCNR-130
E-720 New Equipment — Page DCNR-132

The Tahoe Environmental Improvement Program is a shared commitment among Nevada, California, the private sector and federal and local governments. The Nevada Legislature authorized funding of \$100 million through general obligation bonds. Bonds requested for FY 2016 and FY 2017 total \$1.5 million for projects to improve lake clarity, forest restoration and fuel reduction, recreational facility improvement and control of aquatic invasive species (AIS). Nevada, California and the Tahoe Regional Planning Agency (TRPA) are recognized nationally for the AIS work done at Lake Tahoe. The key to this success is the boat inspections. While the TRPA budget is not part of our authority, we are aware the TRPA will be requesting \$375,000 for each year of the coming biennium to replace Southern Nevada Public Land Management Act (SNPLMA) grant funding that ceases. The DCNR supports this request.

Assemblywoman Bustamante-Adams:

Is this in addition to the NDOW funding for boat inspections?

Ms. Scherer:

State Parks and NDOW are responsible for inspections at other bodies of water such as Lake Lahontan.

The overview for the Division of Forestry (NDF) begins on page 26 of [Exhibit H](#).

DCNR - Forestry — Budget Page DCNR-79 (Volume III)
Budget Account 101-4195

The U.S. Forest Service (USFS) grants to fund seasonal firefighting are declining. The last 12 years have seen historic federal funding. Enhancement unit E-230 is a request for General Fund appropriations to replace these grants to ensure the State keeps its wildland fire commitments. The Consolidated Payment Grant also continues to decline. Enhancement unit E-231 requests funds for three foresters who have the technical expertise to apply for grants and manage projects on the ground. Funding for a training pool is requested in E-235 to ensure minimum National Wildland Coordinating Group Standards are met.

E-230 Efficient and Responsive State Government — Page DCNR-86
E-231 Efficient and Responsive State Government — Page DCNR-86
E-235 Efficient and Responsive State Government — Page DCNR-87

Shown on page 29 of [Exhibit H](#) is an outline of NDF's transition from a hybrid agency focused on both urban and wildland fire needs to a wildland-fire only focus. Enhancement unit E-490 of B/A 101-4195, a companion E-490 of B/A 101-4227, will zero out and eliminate the latter budget account.

E-490 Expiring Grant/Program — Page DCNR-88

DCNR - Forestry Inter-Governmental Agreements — Budget Page DCNR-104
(Volume III)
Budget Account 101-4227

E-490 Expiring Grant/Program — Page DCNR-106

Clark County is the last fire district to transition, and they plan to complete that by the end of FY 2015. Assembly Bill (A.B.) 34 will eliminate NRS 473 State-County All-Risk Districts from statute.

ASSEMBLY BILL 34: Repeals provisions governing certain fire protection districts and fire safety. (BDR 42-369)

Assemblywoman Kirkpatrick:

I am concerned that the urban experience of the Clark County firefighters will not translate to places such as the Mt. Charleston district. Will the State help in those situations?

Mr. Drozdoff:

NDF will handle what it does best which is wildland fire. Urban fire and medical activities will be transitioned to the local governments.

Ms. Scherer:

We will have a better understanding once the Clark County Commission meets on February 17, 2015. We have worked closely with other counties to implement this change. In Ely, we will leave the equipment they need. Many districts have chosen to retain the NDF staff. Clark County may choose to do the same at the Mt. Charleston district.

Assemblywoman Kirkpatrick:

I want to make sure we remain in communication. Clark County's needs are very different than those of Eureka County.

Assemblyman Oscarson:

I am not convinced Clark County is prepared for wildfire suppression. The Mt. Charleston facility is in disarray. Residents are not in agreement about the County taking over.

Senator Goicoechea:

I do not know if Clark County is ready to transition. I hope they retain the NDF crews. They need a new station at Mt. Charleston. We need to know what Clark County decides and be prepared to respond.

Assemblywoman Titus:

Is the decrease in federal funding an indication the federal government is backing away from managing the BLM ranges? Since wildfire is so devastating to ecosystems, is NDF going to be the major entity helping with wildfire suppression?

Ms. Scherer:

Funding from the USFS is decreasing across all states. They have spent a lot of money over the last decade fighting enormous fires and they are retrenching. The NDF has determined the minimum levels of staffing needed to meet its commitments. The map on page 30 of [Exhibit H](#) shows the counties that have transitioned.

Assemblyman Sprinkle:

We vetted this two years ago. I understood the philosophical change proposed and asked many questions in subcommittee to clarify the situation. Regarding these last two jurisdictions that are transferring to local fire suppression, why is there a deviation in the direction of NDF?

Ms. Scherer:

There is no deviation. The last three jurisdictions to transfer were Eureka County, which transitioned on January 1, 2014, and Elko County that transitioned on January 1, 2015. The final jurisdiction is Mt. Charleston in Clark County which is expected to transition by the end of FY 2015. The Clark County Commission should reveal their plans for the transition during their meeting on February 17. The concerns regarding capacity raised in this meeting should be addressed at that time. We are excited about returning to the core mission of wildland firefighting which is a 365-day-a-year process that includes prevention and education as well as suppression, restoration and rehabilitation.

Senator Goicoechea:

Clark County will need to make its decision. It is my understanding the wildland fire associations will work with the local volunteer fire departments. There is a definite need for training and protection while the transition occurs. I have not seen the language in A.B. 34 so do not know what it specifies. Will NDF be available to provide some level of training?

Mr. Drozdoff:

We have not seen the bill either, but are committed to working with the Legislature to ensure the proper roles for NDF, local governments and volunteer fire associations. The NDF has researched the Idaho program, which has been very successful, and may use it as a model.

Ms. Scherer:

Three of the six positions requested are in B/A 101-4195 as outlined on page 31 of [Exhibit H](#). It is important to note that NDF is losing 24 positions in the transitions to local jurisdictions. The deputy state forester position is being eliminated as part of the Elko County transition, but it does not eliminate the need we have. Enhancement unit E-225 funds an operations chief position as a replacement. In addition, funding for a GIS staff position is requested in E-226 to replace the diminishing grant funding. This technology is required for fire

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 25

management, billing and project work. The NDF vehicle fleet is aging and enhancement unit E-228 requests restoration of an equipment mechanic position.

E-225 Efficient and Responsive State Government — Page DCNR-84

E-226 Efficient and Responsive State Government — Page DCNR-85

E-228 Efficient and Responsive State Government — Page DCNR-85

In B/A 101-4194, we are requesting a new helicopter pilot and seasonal fuel truck drivers, conditional on Clark County joining the Wildland Fire Protection Program.

DCNR - Forestry - Wildland Fire Protection Prgm — Budget Page DCNR-108
(Volume III)

Budget Account 101-4194

E-240 Efficient and Responsive State Government — Page DCNR-110

Senator Goicoechea:

Is NDF still using the conservation camps for vehicle maintenance?

Ms. Scherer:

Yes. There are workshops at several of the camps. The final budget presentation, on page 32 of [Exhibit H](#), includes replacement equipment and a supplemental appropriation to comply with State personnel rules. The equipment includes chainsaws, handheld radios, satellite phones, three mobile kitchens and 20 vehicles in B/A 101-4195, decision units E-710, E-711 and M-425, and the same decision units in B/A 101-4198. There is also a request for funding for high priority deferred maintenance projects in these budget accounts.

E-710 Equipment Replacement — Page DCNR-89

E-711 Equipment Replacement — Page DCNR-90

M-425 Deferred Facilities Maintenance — Page DCNR-83

DCNR - Forestry Conservation Camps — Budget Page DCNR-98 (Volume III)
Budget Account 101-4198

E-710 Equipment Replacement — Page DCNR-101

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 26

E-711 Equipment Replacement — Page DCNR-101
M-425 Deferred Facilities Maintenance — Page DCNR-100

There is also a supplemental appropriation to comply with State personnel rules in connection with the retirement buyouts of senior management positions that did not transition to the counties, as well as the retirement of the State Forester-Fire Warden.

The next item in our presentation is the Nevada Division of State Parks, starting on page 33 of [Exhibit H](#).

DCNR - State Parks — Budget Page DCNR-44 (Volume III)
Budget Account 101-4162

State Parks has no new position requests, but has been working with the Department of Administration's Division of Human Resource Management (DHRM) to reclassify maintenance positions. The DHRM has determined there is a need for a separate class for State Parks maintenance staff due to the varied and specialized skills needed to maintain the parks. This reclassification will aid in the recruitment and retention of maintenance staff.

E-813 Position Upgrades — Page DCNR-53

To address a growing backlog of infrastructure problems targeting statewide asset preservation issues and to directly benefit visitors, State Parks requests \$221,757 in FY 2016 and \$130,273 in deferred maintenance.

M-425 Deferred Facilities Maintenance — Page DCNR-47

Decision unit E-233 requests funding for supplies for new campgrounds, restrooms and concession facilities added in 2014 in response to higher visitation. An additional request to partially restore funding for seasonal park staffing to 2008 levels is contained in decision unit E-250.

E-233 Efficient and Responsive State Government — Page DCNR-50
E-250 Efficient and Responsive State Government — Page DCNR-51

Enhancement units E-720 and E-710 are requests for new and replacement equipment. New, smaller utility vehicles improve efficiency, reduce vehicle wear and fuel expenses. An analog repeater is necessary for rescue communications at the Valley of Fire State Park. Replacement equipment includes a roughwater boat for rescue operations at Lake Tahoe, two laptops for curation of historic artifacts and trucks which now have defective steering or braking systems.

E-720 New Equipment — Page DCNR-52
E-710 Equipment Replacement — Page DCNR-52

Decision unit E-227 requests \$85,000 each fiscal year for continued funding of the Tahoe Transportation District shuttle service between Incline Village and Sand Harbor. The shuttle service was started with a grant from SNPLMA that is expiring. These are matching funds for a service that benefits the public, the Nevada Department of Transportation and the Nevada Highway Patrol (NHP), as well as State Parks.

E-227 Efficient and Responsive State Government — Page DCNR-48

Assemblywoman Titus:

How many rides does the shuttle service provide annually?

Ms. Scherer:

They provide approximately 14,000 rides each season.

I will end the State Parks presentation with an update on the outcome of previous approvals. The State Parks gift shops are now enterprise fund programs and are 100 percent self-supporting. They now employ five staff and award \$40,000 in grants each year for interpretive programs at the parks. Purchase of a tractor-trailer for equipment transport was approved in the last Legislative Session. As anticipated, the need for additional heavy equipment has been reduced due to the ability to transport machines statewide. State Parks received \$251,840 for deferred maintenance. To date, 80 percent of the projects have been completed. The remaining two projects will be completed by May 2015.

The next presentation is the Office of State Historic Preservation (SHPO) and the Comstock Historic District.

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 28

DCNR - State Historic Preservation Office — Budget Page DCNR-9 (Volume III)
Budget Account 101-4205

DCNR - Historic Pres - Comstock Historic District — Budget Page DCNR-15
(Volume III)
Budget Account 101-5030

The SHPO budget is essentially flat, while the Comstock Historic District budget requests \$52,764 over the biennium for deferred maintenance. This request includes security lighting, replacement of a water heater, bollards for propane tanks and the repair of an unstable parking lot.

M-425 Deferred Facilities Maintenance — Page DCNR-16

The next item is the Nevada Natural Heritage Program (NNHP), B/A 101-4101.

DCNR - Nevada Natural Heritage — Budget Page DCNR-140 (Volume III)
Budget Account 101-4101

Nevada is 11th among all states in total species diversity and 6th in number of unique, endemic species. The NNHP is a nonregulatory agency. It provides high-quality information early in planning processes to help minimize costly resource conflicts, and to help prevent species from becoming threatened or endangered. This budget remains relatively flat except for an enhancement unit funding a salary increase for the Administrator, commensurate with the duties of the position.

E-806 Unclassified Position Salary Increases — Page DCNR-143

The State Conservation Districts Program is next in the presentation.

DCNR - Conservation Districts Program — Budget Page DCNR-34 (Volume III)
Budget Account 101-4151

Currently, this budget receives General Fund support for its mission to serve and coordinate the 28 grass roots, locally-elected conservation districts throughout the State. With the addition of three regional specialists to the staff last biennium, the Program has leveraged more than \$1 million for additional natural

resource projects in just 1 year. Enhancement unit E-852 is a request to fund the revenue change from federal and other State agency funding sources to a General Fund appropriation for the conservation specialist positions.

E-852 Special Projects — Page DCNR-38

The State has historically supported the local conservation districts with a pass-through grant for districts approved as eligible and in good standing. The level of these grants was reduced from \$5,000 to \$2,500 during the economic downturn. Last biennium, it was increased to \$3,500. Enhancement unit E-351 is a request to restore an additional \$500 per district to these grants.

E-351 Safe and Livable Communities — Page DCNR-37

A new, competitive grant pool, was created last Session with \$40,000 in funding for each year of the current biennium. The program received applications from 17 of the 28 conservation districts in FY 2014. Enhancement unit E-350 requests an additional \$35,000 in FY 2017 for this grant pool to continue funding for ready-to-go projects such as fence marking and weed identification and spraying.

E-350 Safe and Livable Communities — Page DCNR-36

The DCNR Administration and Director's Office budget is the final account in this presentation.

DCNR - Administration — Budget Page DCNR-22 (Volume III) Budget Account 101-4150

The DCNR Administration budget contains several enhancement units related to personnel transfers and travel costs association with those positions, E-227, E-228, E-500, E-501, E-806, E-900 and E-901. The Agency is also requesting restoration of its unclassified executive assistant position in E-225. Enhancement unit E-710 requests \$75,000 for an upgrade to the Department's servers which have expired warranties. And, finally, as previously discussed, the Sagebrush Ecosystem Program Initiative will henceforth be housed in this budget account under E-851 and E-852.

E-225 Efficient and Responsive State Government — Page DCNR-24
E-227 Efficient and Responsive State Government — Page DCNR-25
E-228 Efficient and Responsive State Government — Page DCNR-25
E-500 Adjustments To Transfer For E-900 — Page DCNR-26
E-501 Adjustments To Transfer For E-901 — Page DCNR-26
E-710 Equipment Replacement — Page DCNR-27
E-806 Unclassified Position Salary Increases — Page DCNR-27
E-851 Special Projects — Page DCNR-28
E-852 Special Projects — Page DCNR-28
E-900 Transfer From BA 4173 To BA 4150 — Page DCNR-29
E-901 Transfer From BA 4173 To BA 4150 — Page DCNR-29

The Executive Budget proposes \$6.5 million in resource bond funding for the upcoming biennium. These include the Nevada Conservation Bond Question, also known as Question 1 funds for Division of State Parks infrastructure improvement projects at Lake Tahoe, Division of State Lands bike and recreation trail projects, Historic Preservation Fund grants, the Tahoe Environmental Improvement Program and Division of Water Resources infrastructure projects for arsenic compliance and water delivery.

Capital Improvement Projects (CIP) funding proposed for DCNR in FY 2016 and FY 2017 include \$378,372 for code upgrades and life and safety improvements at the Kyle Canyon NDF station. The only other CIPs are roofing projects for four State Park structures totaling \$252,250.

Chair Kieckhefer:

Next we will hear from NDOW.

Wildlife - Director's Office — Budget Page WILDLIFE-10 (Volume III)
Budget Account 101-4460

Tony Wasley (Director, Department of Wildlife):

The wildlife of Nevada is a public trust resource. Several landmark U.S. Supreme Court rulings have made it clear that wildlife belongs to no one, but is to be held in trust by the government for the benefit of present and future generations. This public trust doctrine has become the legal bedrock for government to establish regulatory authority over wildlife. Federal agencies recognize that "the states possess broad trustee and police powers over fish

and wildlife within their borders, including fish and wildlife found on federal lands within a state," per chapter 43 *Code of Federal Regulations*, section 24.3. Through federally levied excise taxes on fishing and hunting equipment, states are able to leverage nonfederal funds at a ratio of 3:1, federal to state dollars in the name of fish and wildlife management. This is the primary basis of the NDOW budget.

The mission of NDOW is to protect, preserve, manage and restore wildlife and its habitat for its aesthetic, scientific, educational, recreational and economic benefit to citizens of Nevada and the United States, and to promote the safety of persons using vessels on the waters of this State. Wildlife and boating-related recreation contribute in excess of \$1.6 billion to the Nevada economy each year.

In addition to the Director's Office, NDOW has 247 FTEs, 120 buildings, 32 radio towers, 11 wildlife management areas, eight major facilities, four fish hatcheries, three regions and seven divisions. These divisions are Operations, Conservation Education, Law Enforcement, Game, Fisheries, Wildlife Diversity and Habitat.

One of the major priorities for the NDOW during the next biennium is sage grouse conservation. The NDOW is an ex officio member of the Sagebrush Ecosystem Council and has a full-time employee on the Sagebrush Ecosystem Technical Team. Habitat restoration and wildfire rehabilitation are more important than ever. Game management is always a top priority and hunters and anglers are the NDOW's primary funding source. Decontamination of aquatic invasive species continues to be a priority, as are energy and other development reviews. Urban wildlife conflicts are becoming more of an issue for a variety of reasons. Public safety in the water and on the land is a vital concern. The NDOW would like to provide equipment, support and training for our personnel's success.

Assemblyman Edwards:

How many tags are available each year for the different game animals? What is the maximum number that could be distributed?

Mr. Wasley:

It varies each year based on production and recruitment according to the individual species. Mule deer, elk, mountain goats, bighorn sheep and pronghorn antelope are the most common big game species. There are approximately 110,000 mule deer in the State, and the number of tags issued for hunting them is a function of the fawn recruitment from the previous year and how successful hunters have been in the past. Biologically speaking, a greater number of animals could be removed from the population without creating a population decline. However, we have hunter expectations for a certain quality of experience that includes the density of both hunters and animals and the opportunity to harvest animals of certain sizes. It is a complicated process. We could discuss this in further detail at a different time.

Patrick Cates (Deputy Director, Department of Wildlife):

I will now refer to the document "Nevada Department of Wildlife, Governor's 2016-2017 Budget Overview Presentation" ([Exhibit J](#)). The chart on page 24 represents the sources of NDOW's funding. Federal grants and user fees comprise 97 percent of the total budget in equal measure. The remainder of the budget is funded by State agency transfers totaling 2 percent and a 1 percent General Fund appropriation.

Mr. Wasley:

Urban wildlife management is the biggest issue for the upcoming biennium. The approach envisioned by NDOW is a collaborative effort among the Conservation Education, Game, Law Enforcement and Wildlife Diversity Divisions. Consistent with the Governor's Strategic Priority of Safe and Livable Communities, NDOW seeks General Fund money to address the growing concern of urban wildlife management. These activities, with an emphasis on bears and coyotes, are currently paid for with revenue from sportsmen. The USFWS prohibits the use of their grant funds for activities related to urban wildlife or human wildlife contact. Sportsmen revenue that is used for this purpose may not then be used as part of a 3:1 match from the federal government.

This is an urban development issue, not a hunting or a wildlife management issue. Coyotes in urban interface areas are becoming more brazen. Pets are being taken by coyotes, not only from yards and off the end of a leash that is actively held, but they have entered homes through pet doors to remove pets. We have been working with both Clark and Washoe Counties where the

majority of these conflicts exist to identify opportunities for education and outreach. Bear encounters are also increasing. We continue to work with Incline Village General Improvement District and Washoe County to address effective trash management. More education and outreach is needed to reach citizens about this issue.

Assemblywoman Carlton:

Constituents have called my office to report coyote encounters. They are expressing frustration because they do not know who to call for assistance. Education and outreach are important, but what can be done about these animals now running in packs in their neighborhoods?

Mr. Wasley:

A collaborative approach is required. There are certain federal agencies with skills and expertise, county animal control districts. State and home owner associations need to work together. There is no single answer. Education and outreach are components of the solution. Response and removal of offending animals are other components. It is new for us. Creating a golf course in a desert ecosystem attracts rabbits and rodents which thrive in this environment. These prey species then attract predators like coyotes. Once the coyotes deplete the natural prey animals, they move into the surrounding neighborhoods where there are pets. Solutions will be found through working together. We also hear frustration because no one is willing to accept responsibility for this job. This budget item is a step toward NDOW receiving the resources, including staff, needed to respond to the public.

Assemblywoman Carlton:

I do not want to wait until someone is hurt while fighting off a coyote to save a pet to address this issue.

Chair Kieckhefer:

I have constituents in Incline Village who have similar issues with bears; however, they are more aware of who to call for help. Assemblywoman Carlton needs the right phone number to give her constituents. We need to identify an immediate resource for our citizens. The strategic partnership you outline makes sense, but the problem exists now.

Senator Goicoechea:

Animal damage control on the State level has been very responsive. People need to know the right place to call.

Mr. Wasley:

General Fund requests totaling \$450,000 over the upcoming biennium would pay for two public outreach and educational programs, one focused on bears and the other on coyotes, in addition to staff and supplies to support the campaigns. These enhancement units are found in four budget accounts. The first, B/A 101-4462, E-350, requests \$192,178 over the biennium primarily for two seasonal positions to handle nuisance animal control activities and an advertising and public relations campaign for urban coyote education in southern Nevada. Second, B/A 101-4463, E-350, requests \$115,891 over the biennium for related law enforcement activities, including small equipment items and the purchase of a Karelian bear dog puppy. Third, B/A 101-4464, E-350, requests \$140,011 over the biennium for a seasonal position to handle nuisance animal control activities for the Game Division, pet care costs for Karelian bear dogs, handheld readers for microchip implants in bears and a dart gun to tranquilize bears. Finally, B/A 101-4466, E-350, requests \$1,920 to cover staff time in the Diversity account devoted to nuisance animal control.

Wildlife - Conservation Education — Budget Page WILDLIFE-23 (Volume III)
Budget Account 101-4462

E-350 Safe and Livable Communities — Page WILDLIFE-26

Wildlife - Law Enforcement — Budget Page WILDLIFE-30 (Volume III)
Budget Account 101-4463

E-350 Safe and Livable Communities — Page WILDLIFE-32

Wildlife - Game Management — Budget Page WILDLIFE-36 (Volume III)
Budget Account 101-4464

E-350 Safe and Livable Communities — Page WILDLIFE-39

Wildlife - Diversity — Budget Page WILDLIFE-52 (Volume III)
Budget Account 101-4466

E-350 Safe and Livable Communities — Page WILDLIFE-54

Enhancement unit E-229 in B/A 101-4464 is for a contract programmer to design a unified database of big game scientific data. The NDOW has been doing aerial surveys since 1975. The data captured is not all in one geographic location, nor is it all in an electronic format. The goal is to have a statewide database of all 892 species with the spatial attribute and the geographic location of each so when providing information to a development project, we can draw a polygon around an area and populate it with every species occurring there. It is important for analysis and accessibility of data and would facilitate remote uploads of data for biologists conducting surveys throughout the State.

E-229 Efficient and Responsive State Government — Page WILDLIFE-38

Enhancement unit E-228 in B/A 101-4460 requests authority to spend \$25,000 in FY 2016 and FY 2017 for training. Currently, 49 percent of the NDOW staff has fewer than 10 years of service with the Department. There has been significant turnover. Needs include basic skills, wildlife education, technical skills and leadership training to assist with succession planning.

E-228 Efficient and Responsive State Government — Page WILDLIFE-12

Funding of \$114,605 in FY 2016 and \$7,925 in FY 2017 to convert NDOW's existing website, consumer site and application hunt systems to mobile friendly interfaces is requested in both B/A 101-4462 and B/A 101-4461.

E-225 Efficient and Responsive State Government — Page WILDLIFE-25

Wildlife - Operations — Budget Page WILDLIFE-15 (Volume III)
Budget Account 101-4461

This conversion would ultimately allow users to apply for and retain hunting and fishing licenses on their mobile devices. Some of the money would be used for advanced training for the webmaster and subscriptions to services for advanced monitoring of online and digital communications.

E-225 Efficient and Responsive State Government — Page WILDLIFE-17

In B/A 101-4462, using sportsmen revenue to leverage federal grants, NDOW would like to contract production of a variety of short- and medium-format videos to target constituents and customers in the ever-changing media environment. As traditional forms of media lose relevance and are not utilized by younger audiences, new methods to target younger, tech savvy and busier individuals are necessary. In addition, E-276 is a request for Spanish translation of key NDOW press releases and portions of publications, as well as signage for invasive species inspection and removal services.

E-275 Educated and Healthy Citizenry — Page WILDLIFE-25

E-276 Educated and Healthy Citizenry — Page WILDLIFE-25

Mr. Cates:

On page 39 of [Exhibit J](#) is a request for additional fiscal services personnel. Two management analyst positions are needed to manage contracts and subgrants as a result of the increased fiscal complexity created by the reorganization enacted in the 76th Session. Funding for these positions is recommended from cost allocations in B/A 101-4460 totaling \$179,331 over the biennium and sportsmen revenue of \$8,508 in the B/A 101-4461.

E-227 Efficient and Responsive State Government — Page WILDLIFE-12

E-227 Efficient and Responsive State Government — Page WILDLIFE-18

The purpose of the fiscal reorganization was to improve the transparency and financial management of our programs. Previously, there was only one account, and now there are eight. The reorganization has succeeded in its goals, but it has also added layers of complexity and reliance on contracts and subgrants. Existing staff have taken over these functions to the detriment of other duties. With the addition of these two staff, the existing staff will be able to concentrate on budget monitoring and accounting.

The next item is enhancement unit E-226 in B/A 101-4461, the consolidation of NDOW headquarters, currently housed at 1100 Valley Road in Reno with 40 headquarters staff housed in leased office space at another location. Due to a CIP project at the Valley Road facility to upgrade wiring and sprinkler systems last year, all headquarters staff temporarily moved into the leased space. The benefits in efficiency and increased productivity of all staff in one location became apparent. However, the limited space is not adequate for long-term use.

Construction of a new facility is our eventual goal. In the meantime, it is imperative to bring all headquarters staff together in different leased space.

E-226 Efficient and Responsive State Government — Page WILDLIFE-18

The NDOW is requesting funds for CIP advanced planning for the proposed headquarters building and a new operations and maintenance building at the Mason Valley Wildlife Management Area in Yerington in decision unit E-850 of B/A 101-4461. We are contemplating colocating at the hatchery located at Mason Valley.

E-850 Special Projects — Page WILDLIFE-20

The last item is Department-wide equipment. There are a variety of requests ranging from computers, boat motors and parts, radio communication equipment, electro-fishers, tractors, a grain drill, replacement vehicles for field staff, optics, radio collars, decontamination stations, hatchery systems and a wildlife education trailer.

Wildlife - Fisheries Management — Budget Page WILDLIFE-45 (Volume III)
Budget Account 101-4465

E-710 Equipment Replacement — Page WILDLIFE-48
E-711 Equipment Replacement — Page WILDLIFE-48
E-720 New Equipment — Page WILDLIFE-49

Wildlife - Habitat — Budget Page WILDLIFE-58 (Volume III)
Budget Account 101-4467

E-710 Equipment Replacement — Page WILDLIFE-61
E-711 Equipment Replacement — Page WILDLIFE-61
E-720 New Equipment — Page WILDLIFE-62

In B/A 101-4461, the enhancement unit is E-712.

E-712 Equipment Replacement — Page WILDLIFE-19

In B/A 101-4462, the enhancement units are E-711 and E-720.

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 38

E-711 Equipment Replacement — Page WILDLIFE-27
E-720 New Equipment — Page WILDLIFE-27

In B/A 101-4463, the enhancement units are E-711 and E-720.

E-710 Equipment Replacement — Page WILDLIFE-33
E-711 Equipment Replacement — Page WILDLIFE-33
E-720 New Equipment — Page WILDLIFE-33

In B/A 101-4464, the enhancement units are E-711, E-720 and E-721.

E-711 Equipment Replacement — Page WILDLIFE-40
E-720 New Equipment — Page WILDLIFE-40
E-721 New Equipment — Page WILDLIFE-41

And in B/A 101-4466, the enhancement unit is E-711.

E-711 Equipment Replacement — Page WILDLIFE-55

Assemblywoman Swank:

I understand that NDOW received approximately \$70,000 last Session for videoconferencing Wildlife Commission meetings, but only three meetings were actually videoconferenced.

Mr. Cates:

We budgeted \$78,000 for videoconference equipment, primarily for internal staff meetings. After the budget closed, vendors' costs increased substantially from the quotes we obtained originally. Public attendance also exceeded the size of the room at Valley Road. As a result, three out of eight Reno meetings were moved to an auditorium at Truckee Meadows Community College and videoconferenced to Las Vegas and Elko. The majority of our meetings are being videoconferenced without the need to purchase and maintain any equipment. We considered holding all meetings in Reno to take advantage of the videoconference capabilities, but the Commission determined it was better to travel. We typically go to Las Vegas twice, and then to one rural location. We have not found a workable solution to videoconferencing the Las Vegas meetings to Reno and Elko. The Nevada System of Higher Education has equipment, but the room is not large enough to host the Commission. Other

entities are expensive to use. There are limited opportunities to videoconference the rural meetings.

Assemblywoman Swank:

So, what has happened to the \$70,000?

Mr. Cates:

Money that is not spent reverts to the reserves.

Assemblywoman Titus:

How many game wardens do you have? Are they Peace Officer's Standards and Training (POST) certified? Do fines return to your general fund, and how much is that?

Tyler Turnipseed, (Chief Game Warden, Department of Wildlife):

We have 38 FTE commissioned personnel, including the Chief Game Warden, 31 field level wardens, 3 lieutenants and 3 captains. We also employ two seasonal wardens for boating enforcement at Lake Tahoe and two reserves on a volunteer basis. We are POST Category 1 certified just as the NHP and Sheriff's officers. The fines for citations will be shared. Bail amounts are returned to the counties. Enhancements on some civil penalties for wildlife taken or license issues are returned to NDOW.

Assemblywoman Titus:

Are you having difficulties filling your positions?

Mr. Turnipseed:

We have had challenges in recruitment and retention the last couple years. Of the 31 field-level positions, we had 10 vacancies. We are in the process of completing a hiring process of interviews, job offers and background checks. The first group started this week. I am trying to enroll them in a POST academy class that starts Monday in Carson City. The second group will start in southern Nevada in about 2 weeks. We are trying to return to full staffing levels, after losing personnel to other agencies and retirement.

Assemblywoman Titus:

I am concerned that you have not been able to fill your vacant positions. The Department of Public Safety changed their requirements from a 22-week course

to a 15-week course to place more deputies on the street. Are you making any changes to your requirements?

Mr. Turnipseed:

We use two different law enforcement academies. The group starting next week will be attending the main Carson City POST Academy. This is a 15-week program. The second group will attend the High Desert Regional Law Enforcement Academy in Henderson, a 22-week program. I need to determine the differences in the programs to ensure both meet all our needs.

Assemblyman Hambrick:

How can we prevent the loss of personnel?

Mr. Turnipseed:

There are pay issues we may not be able to fix in the short-term. We have lost people to police departments in Henderson and Reno as well as to the Washoe County School Police. People once entered this career because of a love of outdoors and hunting and fishing. I do not know if our recruitment problems stem from not reaching applicants who want this career, versus how much pay and benefits drive the problem. I have also heard that advancement opportunities in larger agencies have drawn some people away from NDOW.

Assemblyman Hambrick:

I would like to continue this conversation at another time.

Chair Kieckhefer:

The next budget is the State Department of Agriculture (NDA).

AGRI - Administration — Budget Page AGRICULTURE-5 (Volume I)
Budget Account 101-4554

Jim Barbee (Director, State Department of Agriculture):

I will refer to the document titled "Nevada Department of Agriculture Pre-Session Budget Hearing" ([Exhibit K](#)) during my presentation. The NDA promotes a business climate that is fair, economically viable and encourages a sustainable environment that serves to protect food, fiber and human health and safety through effective service and education. There are five divisions with 12 budget accounts in the NDA: Administration, Animal Industry, Consumer

Equitability, Food and Nutrition, and Plant Industry. The proposed budget includes 138 FTEs, 10 more than currently exist. The chart on page 5 of [Exhibit K](#) outlines the total funding by source. The NDA receives approximately \$7 million in General Fund appropriation representing 2 percent of our total budget. Federal funds of more than \$262 million represent 81 percent of our budget. The final 17 percent is derived from other sources and totals \$55 million.

Page 6 of [Exhibit K](#) lists the economic contribution of agriculture production and food related manufacturing industries by county in calendar year (CY) 2012. The largest economic contributions occurred in the major metropolitan areas of Clark and Washoe Counties due to the large demand for agriculture and food products and the large workforce available for food manufacturing. The importance of these economic contributions is greater in rural counties, because these industries represent a higher share of the total economic value. More detailed information is available in the document titled "2014-15 Biennial Report for the Nevada Legislature" ([Exhibit L](#)). There has been a significant rise in exports of Nevada agricultural products since CY 2004. The total value of agricultural exports has risen from approximately \$50 million in CY 2004 to just over \$180 million in CY 2014.

To provide an update on the merger of the Dairy Commission, child nutrition program and the food commodities program, the NDA performed a comprehensive review, conducted research and is issuing a report on commodity foods previously part of the purchasing division into the Food and Nutrition Division. The executive summary of the report was shared yesterday at a meeting of the Governor's Council on Food Security. The full report will be released next week. In general, it says we are doing a good job of distributing food in the State, but there are ways we can increase distribution efficiency and effectiveness. As a result of the merger, we were able to increase outreach and training for the School Meal Pattern Program and create an Animal Disease and Food Safety Laboratory, saving \$30,000 in annual contract fees. There were one-time, start-up equipment costs. The U.S. Food and Drug Administration (FDA) will review and start certification of the laboratory, allowing it to be utilized for food safety issues, a capacity we have not previously had in the State. We were able to streamline the dairy audits and eliminate a significant backlog, completing 90 percent of the current year's

audits. We have improved inventory controls, accounting and federal reporting for the food commodity warehouse.

Consolidation of U. S. Department of Agriculture (USDA) programs, including the Animal and Plant Health Inspection Service (APHIS), has allowed the NDA to realize efficiencies of scale and be more effective. Auditors are cross-trained to conduct audit activities for the Dairy Program, as well as audits for the child nutrition programs that have not previously been performed. Due to productivity gains realized by this consolidation, we were able to eliminate one of the tax programs in the Dairy Commission, reducing the tax burden by over \$100,000 on dairy distributors.

The Buy Nevada program, established a year ago, now has 131 members. The benefits of the program to agricultural producers and food processors include promotion of their activities through videos, the opportunity to participate in the Governor's Conference on Agriculture and publication in *Edible Reno-Tahoe* magazine. The videos are available online at buynevada.org and the NDA website. The NDA has developed, and is currently distributing, a survey to Nevada producers to compile data on the quantity and seasonality of local produce as part of the Farm to School and the national school lunch programs.

Research shows that children who eat breakfast are better prepared to learn. Creating school breakfast programs is, therefore, a high priority. Of the students eligible for the free- and reduced-price breakfast program in Nevada, 21 percent participate. The national average is 27 percent. A major budget initiative for this biennium is a request for \$1 million each year for start-up grants to implement school breakfast programs in eligible schools. If participation rates increase, federal money associated with the program will increase. If participation increases 10 percent, \$6 million will return to Nevada. We think an increase of 30 percent is within reach; that would be an \$18 million return for the \$2 million investment. The Governor has also started a School Breakfast Challenge to increase participation rates.

Assemblywoman Titus:

If only 21 percent of students eligible for free- and reduced-breakfast participate, that means 79 percent do not participate.

Mr. Barbee:

That is correct. There are many reasons for nonparticipation.

Assemblywoman Titus:

If so few participate, is it a good program?

Mr. Barbee:

I would reinforce there are a number of factors contributing to the low participation rate. A student's bus may not arrive early enough for the student to partake of breakfast before the first bell. Many students are embarrassed to be seen as poor for receiving a free- or reduced-meal by their peers. Each principal in Clark County is able to choose their school's daily schedule and one school adjourns school before serving lunch. Buses are held for children to participate in the lunch program, creating a stigma of being poor associated with receiving a free- or reduced-meal for these children. We are trying to ensure that students that qualify for free- and reduced-meals have an opportunity to participate at some point in the day. In addition, school districts need local control and flexibility to implement the program.

Kathleen Sandoval (First Lady of Nevada):

I work with a nonprofit agency and I deal with about 2,500 at-risk kids a year. At town hall meetings held in Washoe County last year, the reason the kids gave for not participating in Breakfast Before the Bell was stigma. They knew that participation would identify them as being poor. Breakfast After the Bell is a program that helps eliminate the stigma by offering breakfast to all children at the same time. The program can be administered in the cafeteria or in the classroom. Research indicates that best practice is offering breakfast in the classroom. But, if a school is more comfortable offering food in the cafeteria and the result is more children are fed, it does not matter where the food is offered.

Touring the Clark County School District with Mr. Barbee enabled me to see the programs already in place and to have conversations with school administrators and teachers to determine support for the Breakfast After the Bell program. Many expressed anxiety about having food in the classroom. When the Superintendent of the Carson City School District proposed starting an After the Bell Program at Empire Elementary School, he was inundated with concerns from teachers and administrators about the impact of food in the classroom.

Once the program was implemented, fears that food debris would attract rodents proved to be unfounded. The benefits were immediately apparent; kids were better prepared to learn because they had eaten breakfast.

Assemblyman Hickey:

I assume After the Bell means the students will be in their classrooms. Will all students be served breakfast? If not, how will the stigma be eliminated?

Mr. Barbee:

The programs give students an opportunity to participate. Breakfast After the Bell programs can take many forms. Some schools keep the cafeteria open an additional 25 minutes so students can go through the line to get food. Most of the student population would be in the cafeteria at the time so no students are singled out. Another model is the Grab and Go program where students take a sack breakfast to their classrooms. Participation is not mandatory, but children who are paying for their breakfast would be participating along with those receiving free- or reduced-meals.

Assemblyman Hickey:

Does that mean they miss 20 to 25 minutes of class?

Ms. Sandoval:

The school bell has rung, so school has started. It is similar to the lunch program. The cafeteria staff knows who receives the free and reduced meal, but the other children do not. Regarding the impact on instructional time, we are working with the Department of Education's Superintendent of Public Instruction Dale Erquiaga to determine how to minimize impact on instructional time. It can depend on how the schools and teachers use that time. One school in Las Vegas uses that time for the Pledge of Allegiance and the morning announcements.

Assemblywoman Bustamante Adams:

Since the populations of the school districts are diverse, have you considered breakfast items that are more culturally sensitive?

Mr. Barbee:

This has been discussed on the staff level. But, this is still the school district's program. We do not mandate the cultural aspect of the food choices, only the nutritional value of food.

Assemblywoman Bustamante Adams:

Do you work with the Cooperative Extension program on this initiative?

Mr. Barbee:

Yes, the NDA works with the University of Nevada Cooperative Extension on nutritional outreach and education.

Assemblywoman Benitez-Thompson:

The NDA is asking for ten additional staff, including a social services program specialist. Would that position be responsible for data collection, tracking and follow-up on the increased participation in the school nutrition program?

Dale Hansen (Fiscal Administrator, State Department of Agriculture):

That position is for the federal Food Distribution Program on Indian Reservations (FDPIR). There has been a spike in that caseload.

Ms. Sandoval:

The Governor's Council on Food Security is setting target numbers. We hope legislation is passed and there will be increased participation.

Assemblywoman Benitez-Thompson:

Will the Governor's Council on Food Security be in charge of the metrics and data collection rather than the NDA?

Ms. Sandoval:

It would be in conjunction with the NDA.

Assemblywoman Benitez-Thompson:

Why is the projection for the number of clients served by the Commodity Supplemental Food Program, page 17 of [Exhibit L](#), flat over the course of 4 years?

Mr. Hansen:

There are several different programs in the food commodity area. Some have had increased caseloads while others have remained flat. For example, there has been an increase in the FDPIR. We have updated numbers for that program now that our federal budget has closed.

Mr. Barbee:

The social services program specialist position was not in our original Agency request, but was put in later because the USDA recognized the growth in the program.

In the NDA's Administration Division account, B/A 101-4554, there are several enhancement units. In E-227, we request a public information officer I to expedite responses to news media inquiries, public records requests as mandated in NRS, constituent inquiries, video production and outreach to the public. Enhancement unit E-228 requests an administrative assistant position responsible for travel processing, human resource documents, accounts receivables, payroll duties and assistance with budget reports. Enhancement unit E-229 is a request to lease office space in Carson City at 400 West King Street. This lease was approved by the Nevada Board of Examiners and the IFC in FY 2015. Funding for in-state travel for the IT technician to work on issues at the outlying offices and to attend training is requested in E-232. The NDA attends the World Ag Expo in Tulare, California and E-234 requests funding for exhibit space. Enhancement unit E-710 is the standard equipment replacement for computer hardware and associated software per Department of Administration's Enterprise Information Technology Services' (EITS) recommended replacement schedule. This will be in each of the NDA's budget accounts. The NDA requests new equipment for a server and hardware in the Sparks office and the back-up in the Carson City office in E-720.

E-227 Efficient and Responsive State Government — Page AGRICULTURE-7

E-228 Efficient and Responsive State Government — Page AGRICULTURE-8

E-229 Efficient and Responsive State Government — Page AGRICULTURE-8

E-232 Efficient and Responsive State Government — Page AGRICULTURE-9

E-234 Efficient and Responsive State Government — Page AGRICULTURE-9

E-710 Equipment Replacement — Page AGRICULTURE-11

E-720 New Equipment — Page AGRICULTURE-12

Due to the expansion of marketing activities of agricultural products, including those related to the Buy Nevada program, the NDA requests the transfer of the marketing coordinator position into the Director's Office from B/A 101-4545 in E-900 to improve the coordination of marketing activities.

AGRI - Agriculture Registration/Enforcement — Budget Page AGRICULTURE-16
(Volume I)
Budget Account 101-4545

E-900 Transfer From BA 4545 To BA 4554 — Page AGRICULTURE-13

Enhancement unit E-901 transfers a vehicle into the Administration budget account from B/A 101-1362.

AGRI - Commodity Food Prog — Budget Page AGRICULTURE-78 (Volume I)
Budget Account 101-1362

E-901 Transfer From BA 1362 To BA 4554 — Page AGRICULTURE-13

Enhancement unit E-351 requests funding for a driver warehouse worker and a social services program specialist in the FDIPR due to an increase in caseload. In addition to the EITS equipment replacement in E-710, a freezer in the Reno warehouse has significant mechanical issues. The freezer is no longer manufactured so parts are difficult to obtain. Enhancement unit E-720 requests funding for new forklifts and a stretch wrap machine. Enhancement unit E-901 is the companion to transfer a vehicle from B/A 101-1362 to B/A 101-4554.

E-351 Safe and Livable Communities — Page AGRICULTURE-80

E-710 Equipment Replacement — Page AGRICULTURE-81

E-720 New Equipment — Page AGRICULTURE-82

E-901 Transfer From BA 1362 To BA 4554 — Page AGRICULTURE-83

Enhancement unit E-225 in B/A 101-2691, the nutrition education budget, is a request for an IT professional II position to assist in developing, maintaining and providing staff application and database support for the Food and Nutrition Division application systems. In E-226, we request four quality assurance specialist positions to conduct annual administrative reviews of the National School Lunch and the School Breakfast programs. Previously, we had tried to

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 48

hire part-time staff for these tasks, but have been unable to fill the positions. The major budget initiative this biennium is the School Breakfast initiative in E-275, requesting a General Fund appropriation of \$1 million each year in start-up grants to school districts to assist with the implementation of Breakfast After the Bell programs. Enhancement unit E-710 is the EITS replacement equipment.

AGRI - Nutrition Education Programs — Budget Page AGRICULTURE-70
(Volume I)
Budget Account 101-2691

E-225 Efficient and Responsive State Government — Page AGRICULTURE-73
E-226 Efficient and Responsive State Government — Page AGRICULTURE-73
E-275 Educated and Healthy Citizenry — Page AGRICULTURE-74
E-710 Equipment Replacement — Page AGRICULTURE-74

In the Dairy Commission budget, B/A 233-4470, enhancement unit E-710 is for EITS replacement equipment. Enhancement unit E-720 requests funds for the purchase of a trailer to transport various displays and equipment to and from events promoting dairy and agriculture. With the opening of the new milk powder plant in Fallon, there is growth in the dairy industry. The State is approximately 15,000 cows short in production level for the plant, which is being supplemented with California milk. Dairy promotion is important. We use a mechanical dairy cow, "Moolissa" to promote the dairy industry. Dairy herds are increasing with the expansion of the dairy industry. We identified a need to reclassify an operations manager position to a microbiologist position. This will enable the NDA to expand its laboratory testing and increase the amount of fees collected due to the diversification of the laboratory. Funding for the new position is requested in E-805.

AGRI - Dairy Commission — Budget Page AGRICULTURE-86 (Volume I)
Budget Account 233-4470

E-710 Equipment Replacement — Page AGRICULTURE-89
E-720 New Equipment — Page AGRICULTURE-89
E-805 Classified Position Reclassifications — Page AGRICULTURE-90

Enhancement unit E-226 in B/A 101-4540, Plant Health and Quarantine Services, is related to the Sagebrush Ecosystem Council. This decision unit changes the funding from 50 percent registration fees and 50 percent General Fund appropriation to 100 percent General Fund appropriation. Enhancement units E-230 and E-231 remove and align existing positions that were 80 percent pesticide registration and 20 percent General Fund appropriation to make them 100 percent pesticide registration fees. The E-710 unit is EITS equipment replacement.

AGRI - Plant Health & Quarantine Services — Budget Page AGRICULTURE-27
(Volume I)
Budget Account 101-4540

E-226 Efficient and Responsive State Government — Page AGRICULTURE-29
E-230 Efficient and Responsive State Government — Page AGRICULTURE-29
E-231 Efficient and Responsive State Government — Page AGRICULTURE-30
E-710 Equipment Replacement — Page AGRICULTURE-30

Enhancement units E-226, E-230 and E-231 in B/A 101-4545, change funding in the Agriculture Registration and Enforcement budget account just as in the Plant Health and Quarantine budget account, B/A 101-4540. In addition to the EITS replacement equipment in E-710, we request replacement of a 1992 Jeep Cherokee with over 100,000 miles used by the Environmental Protection Agency program with 100 percent Federal funds. Enhancement unit E-900 is the matching portion of moving the agricultural marketing position to B/A 101-4554. Enhancement unit E-920 transfers a program officer and an agriculturist position into their budget from B/A 101-4552.

E-226 Efficient and Responsive State Government — Page AGRICULTURE-20
E-230 Efficient and Responsive State Government — Page AGRICULTURE-20
E-231 Efficient and Responsive State Government — Page AGRICULTURE-20
E-710 Equipment Replacement — Page AGRICULTURE-22
E-900 Transfer From BA 4545 To BA 4554 — Page AGRICULTURE-23
E-920 Transfer From BA 4552 To BA 4545 — Page AGRICULTURE-24

AGRI - Pest Plant Disease Noxious Weed Control — Budget Page AGRICULTURE-
33 (Volume I)
Budget Account 101-4552

Enhancement unit E-900 consolidates the accounting, reporting and draws for the USDA APHIS grants. Federally purchased vehicles previously in the Mormon Cricket Grasshopper budget account, B/A 101-4556, are transferred to this budget account in E-901. The transfer of two positions from this budget account to the Registration and Enforcement budget account, B/A 101-4545, are requested in E-920.

E-900 Transfer BA 4556 To BA 4552 — Page AGRICULTURE-36

E-901 Transfer BA 4556 To BA 4552 — Page AGRICULTURE-37

E-920 Transfer Two Positions From BA 4545 To BA 4552 — Page
AGRICULTURE-37

AGRI - Mormon Cricket & Grasshoppers — Budget Page AGRICULTURE-40
(Volume I)

Budget Account 101-4556

Enhancement unit E-710 replaces two agency-owned vehicles. Enhancement unit E-900 addresses the consolidation of the USDA APHIS grants with B/A 101-4552. Enhancement unit E-901 requests the transfer of the replacement vehicles in E-710 to the Pest Plant Disease Noxious Weed Control budget account, B/A 101-4552. A budget account consolidation is requested to transfer the Mormon Cricket and Grasshoppers Survey program into the Pest, Plant Disease and Noxious Weed Control budget account , B/A 101-4545.

E-710 Equipment Replacement — Page AGRICULTURE-41

E-900 Transfer BA 4556 To BA 4552 — Page AGRICULTURE-41

E-901 Transfer BA 4556 To BA 4552 — Page AGRICULTURE-42

Enhancement unit E-250 in B/A 101-4546, Livestock Inspection, removes transfers of fees to B/A 101-4550, Veterinary Medical Services, for a microbiologist position, thus changing the funding from 15 percent laboratory fees and 85 percent General Fund appropriation, to 100 percent General Fund appropriation to match the funding with the program duties. Funds for the purchase of four used NHP vehicles in each year of the biennium for the brand inspection program is in E-720. Enhancement unit E-737 establishes a licensing fee for commercial animal feed products sold or manufactured in Nevada. This is a requirement of the FDA's Food Safety Modernization Act. Enhancement unit E-738 creates a registration fee on veterinary biological products. The annual

fee will not exceed \$75 for each veterinary product sold in Nevada, but it will allow the State to trace pharmaceuticals in the animal industry.

AGRI - Livestock Inspection — Budget Page AGRICULTURE-50 (Volume I)
Budget Account 101-4546

E-250 Efficient and Responsive State Government — Page AGRICULTURE-53
E-720 New Equipment — Page AGRICULTURE-53
E-737 New Programs — Page AGRICULTURE-54
E-738 New Programs — Page AGRICULTURE-54

AGRI - Veterinary Medical Services — Budget Page AGRICULTURE-43
(Volume I)
Budget Account 101-4550

Enhancement unit E-250 removes transfers of fees from the Livestock Inspection budget account, B/A 101-4546, for microbiologist positions. During the 2011 Legislative Session, the veterinary diagnostician position in Elko was eliminated. Enhancement unit E-352 reinstates that position. The largest population of animals in the State is in northeastern Nevada. The greatest risk of animal disease issues, as it relates to human health, is also in this region due to the combined livestock and wildlife populations. The laboratory still exists and has been mothballed since the position was eliminated. Enhancement unit E-710 is for EITS replacement equipment. Funding for the purchase of a nucleic acid purification system for the State's Animal Disease and Food Safety Laboratory in Sparks is requested in E-720.

E-250 Efficient and Responsive State Government — Page AGRICULTURE-45
E-352 Safe and Livable Communities — Page AGRICULTURE-45
E-710 Equipment Replacement — Page AGRICULTURE-46
E-720 New Equipment — Page AGRICULTURE-47

There are no significant enhancement units in the Predatory Animal and Rodent control budget, B/A 101-4600. However, there is an adjustment for the contract with NDOW that expires June 30, 2015. After that time, NDOW will contract directly with USDA APHIS Wildlife Services for services related to the NDA's Nevada Predation Management Plan.

AGRI - Predatory Animal & Rodent Control — Budget Page AGRICULTURE-58
(Volume I)
Budget Account 101-4600

Senator Goicoechea:

What impact will this realignment of money have on the NDA predatory animal and rodent control programs?

Mr. Barbee:

To compensate for shortfalls in FY 2015 revenue, we have added fees from the Dairy Commission for control efforts. General Fund appropriations have been added into the budget for the 2015 to 2017 biennium.

Senator Goicoechea:

Is the metrology laboratory in southern Nevada functioning?

Mr. Barbee:

No. We are unable to insulate the room and building to meet National Institute of Standards and Technology (NIST) certification requirements. Additionally, it would require major reconstruction of the whole building because the weights used weigh 1,000 pounds each. A home-built mechanical device was used to offset the weight. It was a danger to the staff and affected the NIST's capability to certify the weight. A full beam system, similar to an animal harvest facility, is needed to bring weight into the building.

Senator Goicoechea:

Does this program exist in southern Nevada?

Mr. Barbee:

Not right now. All the weight certifications are sent to Sparks. We are also missing the opportunity to derive income by certifying private weights for businesses in the Las Vegas area and southern California.

Senator Goicoechea:

Will we be without it for 2 years?

Mr. Barbee:

That is the current situation.

Senator Goicoechea:

Is there a request in the budget for an agriculture enforcement officer for southern Nevada?

Mr. Barbee:

We are trying to control our expenses in that account. We agree there is a need. As recently as this week, we dealt with a dog illegally imported into the Country that had a zoonotic disease. It was not high-risk, but we do not want the disease in either Nevada or the rest of the Country. We had to send an enforcement officer from Reno to deal with the issue.

Enhancement unit E-226 in B/A 101-4551, Consumer Equitability, is a request for three seasonal consumer equitability inspector positions to work with full-time positions to streamline the livestock scale certification process and reduce costs. Equipment replacement in E-710 includes a replacement vehicle; a replacement slip-on unit to convert an existing truck into a gas buggy used to conduct statewide testing of fuels; and the replacement of out-of-tolerance 1,000 pound weights used to certify commercial scales. In E-720, we are requesting new mass comparators to certify test weights for commercial and governmental weighing devices, uninterruptible power sources and fuel provers to test and certify commercial fuel pump services.

AGRI - Consumer Equitability — Budget Page AGRICULTURE-63 (Volume I)
Budget Account 101-4551

E-226 Efficient and Responsive State Government — Page AGRICULTURE-65
E-710 Equipment Replacement — Page AGRICULTURE-66
E-720 New Equipment — Page AGRICULTURE-66

Chair Kieckhefer:

It looks like some of the fee increases are being placed in reserve accounts rather than expended this biennium. I am concerned about the transfer of a marketing coordinator into the Director's Office when you are also hiring a public information officer. There is a lot of professional overlap in those positions.

The next budget for discussion will be the Department of Taxation.

FINANCE AND ADMINISTRATION

TAXATION

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

Deonne E. Contine (Executive Director, Department of Taxation):

I will refer to the document titled "Department of Taxation FY 2015 to FY 2017 Budget Overview" ([Exhibit M](#)) throughout my presentation. The Department of Taxation administers the collection of nearly \$5 billion annually in State and local government revenue from several different taxes. The Department is responsible for providing fair, efficient and effective administration of the tax programs of the State of Nevada. We strive to make sure taxpayers are educated about our programs so they can be compliant. By statute, the Nevada Tax Commission (NTC) is the head of the Department. The NTC adjudicates contested cases, adopts regulations and ensures the fair and equitable treatment of taxpayers.

The Department is organized into four divisions: Compliance, Administrative and Fiscal Services, Local Government Services and Information Technology. The Compliance Division conducts audits, collects revenue, performs taxpayer training and administers the excise taxes. The Administrative and Fiscal Services Division processes returns and disburses the money to the various entities. They also monitor the Department's budget, oversee administration and coordinate with the State Demographer who produces the annual population estimates used to disburse funds to local governments. The Local Government Services Division assesses property that crosses county lines; conducts appraisals and mining audits; establishes guidelines for local recorders, assessors and treasurers and provides assistance to local governments in their budgeting and auditing processes. The Department also serves as staff to the State Board of Equalization, the Committee on Local Government Finance, the Mining Oversight and Accountability Commission, the Appraiser's Certification Board and the NTC. There are 336 FTEs in four offices statewide. See page 6 of [Exhibit M](#) for a visual representation of the tax revenues and distributions in FY 2014. Of the \$4.9 billion in revenue, \$1.8 billion was distributed to the General Fund, \$2.8 billion to local governments, and \$1.14 million to the State Distributive School Account.

The Department receives 97 percent of its funding from the General Fund. The largest expenditure is 77 percent for personnel with operations accounting for about 8 percent and IT at about 7 percent.

As described on page 8 of [Exhibit M](#), enhancement unit E-225 adds an IT professional IV to function as a dedicated information security officer. Currently, several people are tasked with various parts of this responsibility. Additionally, E-225 requests an IT technician III for on-site support in southern Nevada. Currently, IT customer service is handled remotely and through contract from Carson City. The cost over the biennium is \$466,477.

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

Enhancement unit E-807 reclassifies nine auditor III positions to supervising auditor I positions commensurate with the duties of the position. This request was made several years ago and received DHRM approval. However, it was placed on hold due to the economic downturn. The reclassified positions will address problems Taxation has experienced with recruitment and retention. The cost for the biennium is \$60,940.

E-807 Classified Position Reclassifications — Page TAXATION-15

Enhancement unit E-226 requests a management analyst III to perform statistical analysis related to revenue forecasting of various tax types, and provide data to the Economic Forum. Additionally, this unit contains a request for an auditor III position to function as the lead for the net proceeds of minerals audits. Currently, staff in the Local Government Services Division performs net proceeds, real property transfer tax and county performance audits. Because the net proceeds of minerals audits are so important, staff neglected the other audits. The total cost for these two positions over the biennium is \$260,085.

E-226 Efficient and Responsive State Government — Page TAXATION-12

Purchases of equipment based on EITS schedule would replace 221 computers, 2 scanners and 60 office chairs in E-710. The purchase of a hard drive sanitizer is requested in E-720. The total cost over the biennium is \$458,302.

E-710 Equipment Replacement — Page TAXATION-14

E-720 New Equipment — Page TAXATION-14

The last enhancement unit is E-230, the State's business license fee reform, replacing the current business license fee. The cost over the biennium is \$3,833,248 for the addition of 24 positions and related operating costs. The positions include 3 management analysts, 5 tax examiners, 4 accounting assistants, 2 IT positions in the first year and 10 revenue officer positions in the second year of the biennium.

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

Assemblyman Hickey:

Has the Department done a study to determine staffing needs if a service tax is implemented? Would a study need to be done if a modified business tax were implemented?

Ms. Contine:

The Department of Taxation tries to get a general understanding of what would be required of us. In the past, some of the fiscal notes compared resources needed and how it differs from current practices.

Assemblywoman Dickman:

Why is the business license fee moving from the Secretary of State's Office to Taxation? Why not just call it a tax?

Ms. Contine:

It is the reform of the business license fee.

Assemblywoman Dickman:

Does this replace the fee paid through the Secretary of State's Office?

Ms. Contine:

Yes, it does.

Chair Kieckhefer:

How many people in the Secretary of State's office are associated with the administration of the business license fee?

Ms. Contine:

I do not know. We have not reached that step in the process yet.

Chair Kieckhefer:

I do not believe there is a commensurate reduction in their budget for positions that would no longer be necessary.

Ms. Contine:

Revenue collections have increased since the allocation of two revenue officers during the 2013 Session. The Department reorganized and relocated across the State to reduce caseloads and increase collections in areas with the largest tax base. As a result, the average collection per auditor has gone from \$1 million to \$1.3 million while caseload has been reduced from 2,151 to 1,569. Revenue officer training and performance standards have been updated to emphasize efficient and effective collection practices and techniques. In addition, the Department has streamlined procedures for taxpayers requesting a payment plan. They can now start the process with an application available on the website, rather than waiting for a revenue officer to contact them. Further, the Best Information Available (BIA) program, used for the collection of sales and use tax deficiencies, has been automated. If a taxpayer who regularly files returns and makes payments does not file, the system automatically generates a bill based on past data. Previously, this process was done by a person auditing individual accounts. Although caseloads have declined, there are five open revenue officer positions statewide. Because these are difficult jobs, we consistently have about a 30 percent turnover rate. We lose staff internally to the Audit Division and externally to the State Gaming Control Board. The Department is working to find other ways to increase revenue collections with existing staff.

The reorganization impact on the Compliance Audit Division has increased the audit penetration rate from 0.7 percent to 1 percent and assessments by over \$10 million. The Department not only revised work performance standards and continuing education requirements, we updated the audit risk factors. Identification of common errors made by taxpayers has decreased the "no change" audits from 30 percent to 15 percent. The Abatement Audit Team was created in 2013 and completed 36 audits in 1 year. Thirty were found to be in compliance. The six found in noncompliance with their abatement contracts were billed for about \$1.5 million.

For the 2011 and 2012 audit cycles, the Local Government Service Division audited net proceeds of minerals for 23 mines resulting in \$8 million in assessments. In the 2013 audit cycle, three precious metal mines were audited for an anticipated assessment of \$2 million. Of 116 active mines, 13 returns are currently being audited for a penetration rate of 11 percent.

Last Session, we asked that the Tobacco Master Settlement Agreement (MSA) Enforcement Unit be funded with MSA funds rather than General Fund appropriation. In 1998, states entered into the MSA with leading tobacco companies. Those manufacturers who did not enter into the agreement would pay a certain amount of money per cigarette stick into an escrow account. Each state would then perform due diligence to ensure the nonparticipating manufactures paid this fee. In 2013, arbitration over the MSA defined due diligence for the states. The MSA Enforcement Unit was created in Nevada in October 2013. The Unit has been able to better define and determine wholesalers, along with brands, to schedule reviews and licensing processes, strengthening the compliance aspect of licensees. The Nevada indicia has been updated with additional digits to allow for tracking of individual cigarettes, thus helping with due diligence.

The last item on page 16 of [Exhibit M](#) is the excise tax on medical marijuana implemented by S.B. No. 374 of the 77th Session. The Department has established processes for the receipt, posting and distribution of the tax and the tax system has been updated and tested. We have had meetings with a company attempting to be a one-stop reporting and compliance solution for licensed entities to determine needs and suggest solutions. The original legislation did not contain the administrative provisions generally seen in a tax chapter: record retention, timing on refund requests and audit cycle. The Department adopted regulations to the extent possible, but has also introduced a bill draft request (BDR) to ensure these provisions are in statute.

BILL DRAFT REQUEST 32-322: Provides for the administration and enforcement of excise taxes on medical marijuana. (Later introduced as [Assembly Bill 70](#).)

Chair Anderson:

How many current FTEs does the Department have?

Ms. Contine:

There are 336 FTEs in the Department.

Chair Anderson:

You are requesting 221 replacement computers. That seems like a large number to be replaced at one time. I would like some background on that later. Regarding the audit cycle and penetration, do you have any statistics about the average noncompliance? If there was deeper penetration, would there be more recovery?

Ms. Contine:

That is another area with consistent staff turnover. Deeper penetration is partially based on retention. There are other factors, and I will investigate and get that information to the Committees.

Chair Anderson:

How do you prioritize audits?

Ms. Contine:

There are identified risk factors.

Paulina Oliver (Deputy Director, Department of Taxation):

Audits are selected using risk factors that take into consideration the type of industry, the type of taxes, whether there was a previous audit and what was recovered in the prior audit. Along with that, audits commence with leads from other taxing agencies or informants.

Legislative Commission's
Budget Subcommittee
January 28, 2015
Page 60

Chair Kieckhefer:

Is there any public comment in Carson City or Las Vegas? Seeing none, this meeting is adjourned at 4:11 p.m.

RESPECTFULLY SUBMITTED:

Trish O'Flinn
Committee Secretary

APPROVED BY:

Senator Ben Kieckhefer, Chair

DATE: _____

Assemblyman D. Paul Anderson, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	2		Agenda
	B	11		Attendance Roster
	C	75	Claudia Vecchio	Nevada Department of Tourism and Cultural Affairs, Preserving History, Innovating for the New Nevada, Budget Hearing
	D	1	Claudia Vecchio	Poster – Nevada. A World Within. A State Apart.
	E	2	Claudia Vecchio	Who We Are . . . What We Do
	F	84	Janet Geary	<i>Nevada Magazine</i>
	G	24	Susan Boskoff	Nevada Arts Council Annual Report, FY 2014
	H	51	Kay Scherer	DCNR Pre-Session Budget Overview
	I	31	Kay Scherer	Passport
	J	43	Wasley/Cates	Nevada Department of Wildlife Governor's 2016-2017 Budget Overview Presentation
	K	30	Jim Barbee	Nevada Department of Agriculture Budget Hearing
	L	24	Jim Barbee	2014-15 Biennial Report for the Nevada Legislature
	M	17	Deonne E. Contine	Department of Taxation FY 2015 to FY 2017 Budget Overview