

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

**Eightieth Session
May 15, 2019**

The joint meeting of the Assembly Committee on Ways and Means and Senate Committee on Finance Subcommittees on General Government was called to order by Chair Heidi Swank at 8:10 a.m. on Wednesday, May 15, 2019, in Room 2134 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/80th2019.

ASSEMBLY SUBCOMMITTEE MEMBERS PRESENT:

Assemblywoman Heidi Swank, Chair
Assemblywoman Daniele Monroe-Moreno, Vice Chair
Assemblywoman Sandra Jauregui
Assemblyman Al Kramer
Assemblyman Jim Wheeler

SENATE SUBCOMMITTEE MEMBERS PRESENT:

Senator Yvanna D. Cancela,
Senator Pete Goicoechea
Senator David R. Parks

STAFF MEMBERS PRESENT:

Mark Krmpotic, Senate Fiscal Analyst
Sarah Coffman, Principal Deputy Fiscal Analyst
Stephanie Day, Program Analyst
James Malone, Program Analyst
Jaimarie Ortega, Program Analyst
Nancy Morris, Committee Secretary
Lisa McAlister, Committee Assistant

After staff called roll, Chair Swank announced that the East Ely Railroad Museum was not on the agenda and would not be discussed in this meeting. She understood from emails she



received that there was passion about the railroad museum, but the topic was not being addressed in the Legislature during the current session. She continued that the budget closings would happen in a different order than on the agenda and would start with the Commission on Ethics, move on to the Department of Tourism and Cultural Affairs, and finish with the Department of Taxation budgets.

SPECIAL PURPOSE AGENCIES
COMMISSION ON ETHICS
ETHICS - COMMISSION ON ETHICS (101-1343)
BUDGET PAGE ETHICS-3

Stephanie Day, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there were two major closing issues in budget account 1343. The issues were a result of the Executive Director working with Fiscal Analysis Division staff regarding potentially adding a training position to the agency and making adjustments regarding information technology (IT) services. Because of their origin, the two major closing issues were not recommendations contained in The Executive Budget.

The first major closing issue was a training position. In response to the Subcommittees' suggestion to work with Fiscal staff regarding potentially adding a training position, the Commission indicated it would prefer a position that could address broader responsibilities, such as the management analyst 4 position that was included in its agency request budget. The Commission stated that there were three separate requests for special consideration that were not included in The Executive Budget that would address the training, outreach, and staffing needs of the Commission. The first request was for an unclassified position equivalent to a management analyst 4, equal to grade 39, step 10, with an annual salary of \$88,698 and associated operating and equipment expenditures. The second request was for a contract for the development of an online, digital format for training for \$31,998 over the biennium. The third request was for additional in-state travel for the executive director to conduct live trainings and outreach presentations in Las Vegas and rural Nevada. The total for the three requests for the biennium was \$250,331, funded by \$70,093 in State General Funds and \$180,238 from local governments. Ms. Day noted that 72 percent of the funding for this budget account was from local government and 28 percent from the State General Fund. According to the Commission, the new management analyst position would assist with the Commission's outreach/training program by assisting with the development of an online database, coordinating in-person trainings, and developing ethics manuals and other training communication materials. In addition, this position would have fiscal, administrative, management, and supervisory responsibilities and assist the executive director with communication responsibilities as the public information officer, including media and website management and public records requests. The position would also assist the executive director with the supervision of fiscal functions and liaison responsibilities with the Purchasing Division; the Administrative Services Division, which provided accounting and payroll services to the Commission; and the Division of Human Resource Management,

which provided human resource services to the Commission through its Agency HR Services section. The Commission indicated that the addition of the position would allow time for the executive director to provide statutorily mandated outreach and education programs to Nevada's public officers and employees, and the executive director would still perform the trainings. Ms. Day presented the following options for the Subcommittees to consider:

- A. Approve additional staffing and/or training resources not included in The Executive Budget for the Commission on Ethics as requested at a total cost of \$250,331 (\$70,093 General Fund appropriations) over the 2019-2021 biennium.
- B. Not approve additional staffing and/or training resources not included in The Executive Budget for the Commission on Ethics.

Chair Swank expressed her frustration that when this budget was originally heard, the agency stated it needed assistance with training, and the Subcommittees directed the agency to work with staff to develop a position that would address the training needs. She felt the Commission's request did not reflect the direction given, and she was in favor of option B to not approve the additional requested staffing.

SENATOR GOICOECHEA MOVED TO NOT APPROVE ADDITIONAL STAFFING AND/OR TRAINING RESOURCES NOT INCLUDED IN THE EXECUTIVE BUDGET FOR THE COMMISSION ON ETHICS.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Day presented the second major closing issue in this budget account, which was information technology (IT) services. The Commission previously stated it lacked IT staff to address the needs of the Commission, and it maintained its own server with no IT staff, which required staff members to take back-up tapes home on a weekly basis as its security measure for all of its internal, confidential records regarding public officers and employees. In response to the Subcommittees' suggestion to work with Fiscal staff regarding potential adjustments to the Commission's IT services, the Commission requested the following enhancements:

1. Obtain virtual server hosting and disk storage from the Division of Enterprise Information Technology Services (EITS), Department of Administration. A replacement server was included in The Executive Budget and would no longer be needed if the virtual server hosted by EITS was approved. The net cost for these combined actions was \$803 for the biennium.

2. Add helpdesk and desktop support, which would allow for the elimination of the Commission's current IT support contract with an outside vendor. The total cost for the helpdesk and desktop support changes was \$16,032 over the biennium.
3. Convert from AT&T telephone services to state telephone service through EITS. Staff noted that the 2015 Legislature approved a replacement telephone system for the Commission in FY 2016, and at that time, EITS indicated the replacement telephone system would remain a stand-alone system because of the cost-prohibitive infrastructure upgrades necessary to connect to the state telephone system. The Commission remained located in the same nonstate-owned building.

Ms. Day asked whether the Subcommittees wished to approve additional IT resources not included in The Executive Budget for the Commission on Ethics. If so, Fiscal staff recommended not approving the transition to telephone service provided through EITS. The result would be additional expenditures of \$16,835 (\$4,715 General Fund appropriations) over the 2019-2021 biennium.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE ADDITIONAL INFORMATION TECHNOLOGY RESOURCES NOT INCLUDED IN THE EXECUTIVE BUDGET FOR THE COMMISSION ON ETHICS, BUT NOT APPROVE THE TRANSITION TO TELEPHONE SERVICE PROVIDED THROUGH THE DIVISION OF ENTERPRISE INFORMATION TECHNOLOGY SERVICES.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Day stated there were four other closing items in this budget, which appeared reasonable to Fiscal staff. Staff recommended approval of other closing items as recommended by the Governor, with the authority to make technical adjustments as necessary.

ASSEMBLYWOMAN JAUREGUI MOVED TO APPROVE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1343 AS RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - STEWART INDIAN SCHOOL LIVING LEGACY (101-2601)
BUDGET PAGE TOURISM-11

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, began with the Department of Tourism and Cultural Affairs budgets. Budget account 2601, the Stewart Indian School Living Legacy (SISLL), was the first to be discussed. There was one major closing issue in this budget, which was the SISLL museum. Mr. Malone stated this was the new budget established by the 2015 Legislature for the planning and operation of the Stewart Indian School Historic District in Carson City. At that time, museum director and curator positions were approved, along with a \$297,922 capital improvement project to begin planning, archiving, and developing the Stewart Master Plan. The 2017 Legislature approved an additional \$4.7 million CIP to renovate the former Stewart Administration Building into the Stewart Indian School Cultural Center (SISCC) and museum and the former Stewart Post Office into the welcome center. The agency indicated the overall project was expected to be complete in the fall of 2019, inclusive of museum exhibit fabrication and installation. The designs included a research room, storytelling and craft-making room, classroom space for children, and museum retail space.

While the Governor recommended continued funding for the salary and operating costs over the 2019-2021 biennium for the two existing positions in this budget, The Executive Budget did not include funding for operating or rent expenses for the new museum and welcome center. According to the agency, the lack of funds would result in the museum not opening to the public and sitting vacant over the 2019-2021 biennium. In response to Fiscal staff questions, the agency indicated that with funding of \$130,518 in FY 2020 and \$113,864 in FY 2021, the museum would be able to operate in a limited capacity, but with no operating hours on the weekends, no coverage for sick or annual leave, an unstaffed welcome center, no guided tours, and reduced ability to effectively access, catalog, and preserve the museum's collections. In a limited capacity, the museum would be open Monday through Friday from 9 a.m. to 5 p.m.

The agency indicated that if two additional positions were provided for the operation of the museum, funding of \$262,176 in FY 2020 and \$240,781 in FY 2021 would be required. The two additional positions included a curator responsible for developing, coordinating, and administering educational programs, and a museum attendant who would be responsible for assisting visitors with information. The revised hours of operation would be Tuesday through Saturday from 10 a.m. to 5 p.m. The agency anticipated it would be able to collect new revenues such as admission, memberships, museum store sales, and fees. Fiscal staff noted enabling legislation would be required for the SISLL to have the authority to receive these revenues. The agency projected 32,000 visitors per year for the first three years, 38 percent from the resident market and 62 percent from the tourist market.

Mr. Malone stated the table below summarized the various cost options related to opening the Stewart Indian School Museum and Cultural Center.

| Stewart Indian School Living Legacy Museum and Cultural Center Operating Expenditures Summary | | | | | |
|--|--|------------|------------|------------|---|
| | Description | FY 2020 | FY 2021 | Biennium | |
| Public Access | Rent | \$ 74,431 | \$ 74,431 | \$ 148,862 | Provides public access, security expenses, wheel chairs & strollers |
| | Operating | \$ 9,512 | \$ 3,711 | \$ 13,223 | |
| | Subtotal | \$ 83,943 | \$ 78,142 | \$ 162,085 | |
| Limited | Exhibits | \$ 13,447 | \$ 7,498 | \$ 20,945 | Provides education materials, hardware such as scanners for artifact documentation, artifact collections and lighting and display fixtures. |
| | Collections | \$ 20,282 | \$ 19,914 | \$ 40,196 | |
| | Education | \$ 12,846 | \$ 8,310 | \$ 21,156 | |
| | Subtotal | \$ 46,575 | \$ 35,722 | \$ 82,297 | |
| Limited | Monday - Friday 9:00 am - 5:00 pm | | | | |
| | Total | \$ 130,518 | \$ 113,864 | \$ 244,382 | |
| Full Open | Personnel | \$ 131,658 | \$ 126,917 | \$ 258,575 | Provides the addition of two state personnel. |
| | Subtotal | \$ 131,658 | \$ 126,917 | \$ 258,575 | |
| | Tuesday - Saturday 10:00 am - 5:00 pm | | | | |
| Full Open | Total | \$ 262,176 | \$ 240,781 | \$ 502,957 | |

Mr. Malone presented the following options for the Subcommittees to consider:

- A. Recommend approval of the Governor's recommended budget, which would result in the Stewart Indian School Living Legacy Museum and Cultural Center remaining vacant over the 2019-2021 biennium.
- B. Recommend funding of \$130,518 in FY 2020 and \$113,864 in FY 2021 to provide funding for public access Monday through Friday from 9 a.m. to 5 p.m. using existing staff and exhibit construction. With this option, the museum would operate in a limited capacity.
- C. Recommend funding of \$262,176 in FY 2020 and \$240,781 in FY 2021 to provide funding for public access Tuesday through Saturday from 10 a.m. to 5 p.m., exhibit construction, and two additional positions. This option would provide for a fully functioning museum.

Chair Swank stated she was in favor of option B. She noted many resources had already been put into the Stewart Indian School, and she felt it was an amazing place, but she wanted to encourage the SISLL to build a strong volunteer organization. She believed there were many passionate and knowledgeable people who would make great volunteers. She asked for a motion for option B.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO RECOMMEND FUNDING OF \$130,518 IN FY 2020 AND \$113,864 IN FY 2021 TO PROVIDE FUNDING FOR PUBLIC ACCESS MONDAY THROUGH FRIDAY FROM 9 A.M. TO 5 P.M. USING EXISTING STAFF AND EXHIBIT CONSTRUCTION. WITH THIS OPTION, THE MUSEUM WOULD OPERATE IN A LIMITED CAPACITY.

SENATOR CANCELA SECONDED THE MOTION.

Assemblyman Kramer asked why this was not included in The Executive Budget. He questioned whether the plan had been to use volunteers as staff and not be charged rent because the museum was part of Stewart Indian School.

Mr. Malone stated that Fiscal staff lacked that detail and understood it might have been an oversight when the budget was being built. He suggested that the agency or Governor's Finance Office could answer Assemblyman Kramer's question.

Assemblyman Kramer observed that the project was creeping because the requests for money did not seem to end. He stated that a full understanding of the complete plan would be helpful.

Senator Goicoechea also supported option B. He reminded the Subcommittees that pending legislation would allow proceeds from the Stewart facilities to remain with the Stewart facilities. He was hopeful that opening the museum, even on a limited capacity, would generate revenue that might help sustain the museum in the future.

THE MOTION CARRIED UNANIMOUSLY.

Because the Subcommittees recommended option B, Mr. Malone reminded Subcommittee members that the agency projected 62 percent of museum visitors would be tourists and 38 percent residents. He presented the following funding options for consideration:

- D. Recommend approval of General Fund appropriations to fund 100 percent of the authorized expenditures.
- E. Recommend approval of split funding for authorized expenditures, with 62 percent funded by room tax revenue transfers from the Tourism Development fund and 38 percent funded by General Fund appropriations based on the anticipated visitor split.

Chair Swank voiced her support for option E and felt it was a more fiscally responsible way to fund the expenditures.

SENATOR CANCELA MOVED TO APPROVE SPLIT FUNDING FOR AUTHORIZED EXPENDITURES WITH 62 PERCENT FUNDED BY ROOM TAX REVENUE TRANSFERS FROM THE TOURISM DEVELOPMENT FUND AND 38 PERCENT FUNDED BY GENERAL FUND APPROPRIATIONS BASED ON THE ANTICIPATED VISITOR SPLIT.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone stated there were two other closing items for this budget, which both appeared reasonable to staff. Fiscal staff recommended other closing items be closed as recommended by the Governor and requested authority to make technical adjustments as necessary.

SENATOR CANCELA MOVED TO APPROVE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 2601 AS RECOMMENDED BY THE GOVERNOR AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - INDIAN COMMISSION (101-2600)
BUDGET PAGE TOURISM-29

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that the Indian Commission budget had no major closing issues. There was one other closing item, which appeared reasonable. Fiscal staff recommended the other closing item be closed as recommended by the Governor and requested authority to make technical adjustments as necessary.

SENATOR CANCELA MOVED TO APPROVE THE OTHER CLOSING ITEM IN BUDGET ACCOUNT 2600 AS RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - TOURISM DEVELOPMENT FUND (225-1522)
BUDGET PAGE TOURISM-15

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there was one major closing issue in the Tourism Development Fund budget, which was a position transfer and upgrade to full-time status. The Governor recommended the transfer of a part-time (0.75 full-time-equivalent (FTE)) accountant technician position from the Nevada Magazine budget to assist the agency with anticipated workload. The personnel and associated costs of the part-time accountant technician position recommended for transfer totaled \$67,341 in FY 2020 and \$67,763 in FY 2021, funded with reserve reductions. According to the agency, the increase would assist the Nevada Arts Council and the Nevada Indian Commission with weekly budget reconciliations and biennial budget preparation. Fiscal staff noted the 2017 Legislature approved a new full-time management analyst position specifically to handle all fiscal transactions for the Stewart Indian School Living Legacy and the Nevada Indian Commission. Upon further review, it was discovered that an existing management analyst position approved for the Division's finance office during the 2017-2019 biennium was moved to the marketing unit. Because the 2017 Legislature approved an additional position to address the increased workloads of the Nevada Indian Commission, the recommended increase of 0.25 FTE for another accountant technician was a duplication of resources that were already provided by the 2017 Legislature and did not appear justified.

Because *Nevada Revised Statutes* (NRS) 231.290 mandated that all expenditures for the operation of the Nevada Magazine be accounted for in the Nevada Magazine enterprise fund, moving this position to be paid for by room tax revenues and accounted for in budget account 1522 would not comply with the provisions outlined in statute. The agency indicated one of the primary motivations for transferring this position was to reduce the salary burden for the Nevada Magazine budget. Providing operational support to the Nevada Magazine would be a new use of room tax revenues considered for approval by the Legislature, and this option would be addressed in the Nevada Magazine budget closing. Mr. Malone asked whether the Subcommittees wished to not approve the position transfer from the Nevada Magazine and the increase to a full-time position.

SENATOR CANCELA MOVED TO NOT APPROVE THE POSITION
TRANSFER FROM THE NEVADA MAGAZINE AND THE INCREASE
TO A FULL-TIME POSITION.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

Senator Goicoechea sought clarification that the topic of funding the position from room tax revenue would be discussed in the Nevada Magazine budget and Chair Swank stated he was correct.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone stated there were two other closing items in this budget. Other closing item 1 appeared reasonable to staff. In closing item 2, there was a technical adjustment aligning room tax revenue transfers from the Tourism Development Fund to the Nevada Arts Council to align the transfer out with the transfer in. Fiscal staff recommended other closing item 1 be closed as recommended by the Governor, and other closing item 2 be closed with the technical adjustment noted by staff and requested authority to make other technical adjustments as necessary.

SENATOR CANCELA MOVED TO APPROVE OTHER CLOSING ITEM 1 IN BUDGET ACCOUNT 1522 AS RECOMMENDED BY THE GOVERNOR, THE TECHNICAL ADJUSTMENT IN OTHER CLOSING ITEM 2, AND TO AUTHORIZE FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - TOURISM DEVELOPMENT (225-1523)
BUDGET PAGE TOURISM-21

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Fiscal Analysis Division staff was responsible for developing closing recommendations for budget account 1523, and the Subcommittees had not previously reviewed this budget. There were no major closing issues, and Fiscal staff recommended this budget be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE BUDGET ACCOUNT 1523 AS RECOMMENDED BY THE GOVERNOR AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - NEVADA MAGAZINE (530-1530)
BUDGET PAGE TOURISM-23

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there was one major closing issue in this budget account, which was discussed in budget account 1522, Tourism Development Fund. The Governor recommended increasing reserves by \$135,104 over the 2019-2021 biennium by transferring out a part-time accountant technician position to the Tourism Development Fund budget in the Division of Tourism. The Nevada Magazine budget was an enterprise budget, which was intended to be a self-supporting entity. Even though the transferred position would still devote the majority of its time to the Nevada Magazine, The Executive Budget did not recommend cost reimbursements from the Nevada Magazine to the Tourism Development Fund. As discussed earlier, pursuant to *Nevada Revised Statutes* (NRS) 231.290, all operational activities associated with the Nevada Magazine enterprise fund must be accounted for within that budget account; therefore, the cost of this position should be accounted for in the Nevada Magazine budget. Upon further review, the agency indicated personnel support and other costs associated with the development of the Nevada Magazine website were being paid for with room tax revenues within the Tourism Development Fund budget. To comply with the provisions of NRS 231.290, Fiscal staff recommended a technical adjustment transferring expenditures totaling \$131,010 over the 2019-2021 biennium to the Nevada Magazine budget for personnel and website maintenance and repair expenses.

Mr. Malone stated that the Nevada Magazine had experienced declining reserve levels. Enterprise fund reserve levels should typically equate to approximately 60 days of operating expenditures to maintain an adequate cash flow. If the accountant technician position remained in this budget with no change to its current funding source, and the technical adjustment recommended by staff to transfer the Nevada Magazine expenditures from the Tourism Development Fund budget was approved, the Nevada Magazine budget would not have enough funding to cover current expenditures over the 2019-2021 biennium. Legislative Counsel indicated to Fiscal staff that pursuant to NRS 231.250, which allowed the Legislature to use room tax revenues for any purpose authorized, providing operational support to the Nevada Magazine would be a new use of room tax revenues considered for approval by the Legislature. The table below detailed reserve levels if room tax revenues were not transferred to cover the technical adjustment expenditures, as well as the costs of the accountant technician position.

Nevada Magazine Reserve Analysis - Room Tax Revenue Transfer Options

| | Projected - With <u>No</u> Room Tax Revenue Transfer | | Projected - With Room Tax Revenue Transfer | |
|---------------------------|---|-------------|---|------------|
| | FY 2020 | FY 2021 | FY 2020 | FY 2021 |
| Reserve Balance | \$ (6,935) | \$ (53,678) | \$ 125,846 | \$ 212,436 |
| Daily Reserve Requirement | \$ 3,174 | \$ 3,130 | \$ 3,174 | \$ 3,130 |
| Days of Operating | (2) | (17) | 40 | 68 |

* Actual reserve balances reflect personnel and website expenditures paid for by room tax revenues within the Tourism Development fund as noted in the technical adjustment above.

Mr. Malone asked whether the Subcommittees wished to approve \$266,114 of room tax revenue transfers over the 2019-2021 biennium from the Tourism Development Fund budget to fund the accountant technician position, as well as the Nevada Magazine expenditures previously accounted for within the Tourism Development Fund budget, which would result in an ending reserve balance in excess of 60 days in FY 2021, and the technical adjustment noted to account for all Nevada Magazine operational expenses within the enterprise fund pursuant to NRS 231.290.

Chair Swank remarked that the Nevada Magazine budget always caused discussion. She asked for a motion to approve as recommended by staff and wished to include a letter of intent directing Nevada Magazine to work with Fiscal staff to develop a long-term plan for financial stability. She acknowledged that print magazines were in a state of transition and indicated a long-term plan was needed to prevent repeating the conversation about shoring up reserves each biennium.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE \$266,114 OF ROOM TAX REVENUE TRANSFERS OVER THE 2019-2021 BIENNIUM FROM THE TOURISM DEVELOPMENT FUND BUDGET TO FUND THE ACCOUNTANT TECHNICIAN POSITION AND NEVADA MAGAZINE EXPENDITURES PREVIOUSLY ACCOUNTED FOR WITHIN THE TOURISM DEVELOPMENT FUND BUDGET, WHICH WOULD RESULT IN AN ENDING RESERVE BALANCE IN EXCESS OF 60 DAYS IN FY 2021, AND THE TECHNICAL ADJUSTMENT NOTED TO ACCOUNT FOR ALL NEVADA MAGAZINE OPERATIONAL EXPENSES WITHIN THE ENTERPRISE FUND PURSUANT TO NRS 231.290. IN ADDITION, THE COMMITTEE WOULD ISSUE A LETTER OF INTENT DIRECTING NEVADA MAGAZINE TO WORK WITH FISCAL STAFF TO DEVELOP A LONG-TERM PLAN FOR FINANCIAL STABILITY.

SENATOR CANCELA SECONDED THE MOTION.

Senator Goicoechea sought confirmation that because State General Funds were being used to fund part of the Stewart Indian School Living Legacy programs, it freed up room tax

revenue. He also asked whether the Legal Division of the Legislative Counsel Bureau indicated the room tax revenue was allowed to be used for this purpose.

Mr. Malone stated that Senator Goicoechea was correct, and the Legislature could appropriate room tax revenue transfers to this account.

Senator Parks asked whether the motion was to approve the transfer of \$266,114 in room tax revenues and Chair Swank confirmed that it was.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone stated there was one other closing item in this budget, which appeared reasonable. Fiscal staff recommended the other closing item be approved as recommended by the Governor and requested authority for Fiscal staff to make technical adjustments as necessary.

SENATOR CANCELA MOVED TO APPROVE THE OTHER CLOSING
ITEM IN BUDGET ACCOUNT 1530 AS RECOMMENDED BY THE
GOVERNOR, AND AUTHORIZE FISCAL STAFF TO MAKE
TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - NEVADA HUMANITIES (101-2894)
BUDGET PAGE TOURISM-28

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Fiscal Analysis Division staff was responsible for developing closing recommendations for budget account 2894, and there were no major closing issues in this budget. Fiscal staff recommended this budget be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

Chair Swank disclosed, even though she was not required to by Joint Standing Rule No. 23, that when not in the Legislature, she worked in the area of historic preservation and did work with the Nevada Humanities. She wanted to make it very clear that as a legislator, she did not accept any money in her nonprofit job that originated in a legislative measure that she voted on in the Legislature.

Senator Cancela noted that the Nevada Humanities did great work and was still getting back to its prerecession funding levels, and she was in favor of an additional \$25,000 per year for this budget.

SENATOR CANCELA MOVED TO CLOSE BUDGET ACCOUNT 2894 AS RECOMMENDED BY THE GOVERNOR, WITH AN ADDITIONAL \$25,000 PER YEAR IN STATE GENERAL FUND APPROPRIATIONS, FOR A TOTAL OF \$125,000 PER YEAR OF THE 2019-2021 BIENNIUM.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - MUSEUMS & HISTORY (101-2941)
BUDGET PAGE TOURISM-38

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there was one major closing issue in the Museums and History budget. The Governor recommended \$8,853 in State General Fund appropriations and \$10,822 in transfers from the Commission on Tourism (room tax revenues) to fund the reclassification of an administrative services officer (ASO) 2 position to an ASO 3. According to the agency, this position was last reviewed by the Division of Human Resource Management (DHRM), Department of Administration, in 2005, and the duties and complexities of the position had increased since then. While the agency provided justification for the position reclassification, Fiscal staff could not determine whether the Museum's fiscal work complexity and responsibility had increased to the level of an ASO 3 and would ultimately be determined by DHRM. The agency indicated it was currently in the process of scheduling a desk audit. If the Subcommittees recommended approval of this decision unit and DHRM did not recommend the reclassification, any General Fund personnel savings would revert to the General Fund at the end of each fiscal year. Mr. Malone asked whether the Subcommittees wished to approve \$8,853 in General Fund appropriations and \$10,822 in room tax revenue transfers over the 2019-2021 biennium to fund the reclassification of an ASO 2 position to an ASO 3, with the intent that General Fund appropriations would revert to the General Fund if DHRM did not recommend the reclassification.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE \$8,853 IN GENERAL FUND APPROPRIATIONS AND \$10,822 IN ROOM TAX REVENUE TRANSFERS OVER THE 2019-2021 BIENNIUM TO FUND THE RECLASSIFICATION OF AN ADMINISTRATIVE SERVICES OFFICER (ASO) 2 POSITION TO AN ASO 3, WITH THE INTENT THAT GENERAL FUND APPROPRIATIONS WOULD REVERT

TO THE GENERAL FUND IF THE DIVISION OF HUMAN RESOURCE
MANAGEMENT DID NOT RECOMMEND THE RECLASSIFICATION.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone stated there was one other closing item, which appeared reasonable. Fiscal staff recommended the other closing item be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

SENATOR PARKS MOVED TO APPROVE THE OTHER CLOSING ITEM
IN BUDGET ACCOUNT 2941 AS RECOMMENDED BY THE
GOVERNOR, AND AUTHORIZE FISCAL STAFF TO MAKE
TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - MUSEUMS & HIST - LOST CITY MUSEUM (101-1350)
BUDGET PAGE TOURISM-43

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Fiscal Analysis Division staff developed closing recommendations for budget account 1350, and there were no major closing issues in this budget. There were three other closing items, which appeared reasonable. Fiscal staff recommended other closing items be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE
OTHER CLOSING ITEMS IN BUDGET ACCOUNT 1350 AS
RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL
STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - MUSEUMS & HIST-NEVADA HISTORICAL SOCIETY (101-2870)
BUDGET PAGE TOURISM-48

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that Fiscal Analysis Division staff was responsible for developing closing recommendations for budget account 2870, and the Subcommittees had not previously reviewed this budget. There were no major closing issues in this budget. There were two other closing items, which appeared reasonable. Fiscal staff recommended other closing items be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

ASSEMBLYWOMAN JAUREGUI MOVED TO APPROVE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 2870 AS RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NEEDED.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - MUSEUMS & HIST - NEVADA STATE MUSEUM, CC (101-2940)
BUDGET PAGE TOURISM-52

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that closing recommendations for the Nevada State Museum in Carson City budget account were developed by Fiscal Analysis Division staff. There were no major closing issues in this budget, and there were two other closing items that appeared reasonable. Fiscal staff recommended this budget be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE BUDGET ACCOUNT 2940 AS RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

Assemblyman Kramer asked why the increase in staff from 19.53 full-time-equivalent (FTE) in fiscal year (FY) 2019 to 20.53 FTE in FY 2020 was not a closing item. He recalled that

staff additions were usually presented as closing items, and he was curious why this change was not included.

Mr. Malone stated that the staff addition was approved by the Interim Finance Committee during the interim.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - MUSEUMS & HIST - NEVADA STATE MUSEUM, LV (101-2943)
BUDGET PAGE TOURISM-57

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated that closing recommendations for the Nevada State Museum in Las Vegas budget account were developed by Fiscal Analysis Division staff. There were no major closing issues in this budget, and there were three other closing items that appeared reasonable. Fiscal staff recommended this budget be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

SENATOR PARKS MOVED TO APPROVE BUDGET ACCOUNT 2943
AS RECOMMENDED BY THE GOVERNOR, AND AUTHORIZE FISCAL
STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - MUSEUMS & HIST-NV STATE RAILROAD MUSEUMS (101-4216)
BUDGET PAGE TOURISM-62

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there were three major closing issues in budget account 4216. The Governor recommended a combined total of \$45,050 in State General Fund appropriations and \$55,058 in transfers from the Commission on Tourism to fund two part-time museum attendant positions and associated costs to expand the Carson City State Railroad Museum (CCRM) hours of operation to an additional day per week. Currently, CCRM was open from 9 a.m. to 4:30 p.m. Thursday through Monday. The agency indicated the addition of the positions would allow the museum to be open on Wednesdays. The position duties included admission, volunteer and general visitor support, assisting in cleanup, performing routine security activities, supporting special events, tours, museum store coverage, and various

administrative tasks. These two positions were intended to be part-time employees without Public Employees' Retirement System (PERS) and Public Employees' Benefits Program (PEBP) benefits. If approved, Fiscal staff recommended a technical adjustment eliminating the employee fringe benefits included in The Executive Budget, resulting in an expenditure reduction of \$40,034 over the 2019-2021 biennium. Mr. Malone asked whether the Subcommittees wished to approve two part-time museum attendants for the Carson City State Railroad Museum to expand the hours of operation to include Wednesday, with the noted technical adjustment.

ASSEMBLYWOMAN JAUREGUI MOVED TO APPROVE TWO PART-TIME MUSEUM ATTENDANTS FOR THE CARSON CITY STATE RAILROAD MUSEUM TO EXPAND THE HOURS OF OPERATION TO INCLUDE WEDNESDAY, WITH THE NOTED TECHNICAL ADJUSTMENT.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone stated the second major closing issue was the Boulder City State Railroad Museum (BCRM) maintenance position. The Governor recommended \$54,182 in General Fund appropriations and \$66,223 in transfers from the Commission on Tourism to fund the reestablishment of a maintenance repair specialist position and associated costs at the BCRM. According to the agency, this position was eliminated in 2009 because of the economic downturn. The position would be responsible for ensuring that maintenance requirements of railroad coaches, locomotives, rolling stock, and the head-end power car in the state tourist train were met before operations. The agency indicated it currently relied on expert volunteer labor, which might no longer be available. He asked whether the Subcommittees wished to restore the maintenance repair specialist position at the Boulder City State Railroad Museum that was eliminated in 2009 because of the economic downturn.

ASSEMBLYMAN KRAMER MOVED TO RESTORE THE MAINTENANCE REPAIR SPECIALIST POSITION AT THE BOULDER CITY STATE RAILROAD MUSEUM THAT WAS ELIMINATED IN 2009 BECAUSE OF THE ECONOMIC DOWNTURN.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone moved on to the next major closing issue in this budget, which was for a maintenance repair worker position at Easy Ely Railroad Depot Museum (EERM). The Governor recommended \$45,843 in General Fund appropriations and \$56,029 in transfers

from the Commission on Tourism to fund the reestablishment of a maintenance repair worker position and associated costs. According to the agency, this position was eliminated in 2009 because of the economic downturn, and currently the museum director and contracted labor, when funds were available, performed basic maintenance and other tasks, including painting, cleaning, grounds maintenance, public service, and tours. The agency indicated there was a considerable backlog of maintenance needs. He asked whether the Subcommittees wished to restore the maintenance repair worker position at the East Ely Railroad Depot Museum that was eliminated in 2009 because of the economic downturn.

ASSEMBLYMAN KRAMER MOVED TO RESTORE THE MAINTENANCE REPAIR WORKER POSITION AT THE EAST ELY RAILROAD DEPOT MUSEUM THAT WAS ELIMINATED IN 2009 BECAUSE OF THE ECONOMIC DOWNTURN.

SENATOR GOICOECHEA SECONDED THE MOTION.

Senator Goicoechea appreciated that Chair Swank opened the meeting by saying the East Ely Railroad Depot Museum would not be addressed in this meeting, but he needed to share his concern that no significant work had been done on the museum in ten years, and no capital improvement project had come forward with needed funding. The facility needed help, as witnessed by the flood of emails Subcommittee members had received in the previous 24 hours, and a plan needed to be developed to operate the facility in conjunction with the Nevada Northern Railway Foundation.

Chair Swank agreed with Senator Goicoechea on all points.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Malone stated there were four other closing items in this budget, which all appeared reasonable. Fiscal staff recommended other closing items be closed as recommended by the Governor, and requested authority to make technical adjustments as necessary.

ASSEMBLYMAN WHEELER MOVED TO APPROVE OTHER CLOSING ITEMS IN BUDGET ACCOUNT 4216 AS RECOMMENDED BY THE GOVERNOR AND AUTHORIZE FISCAL STAFF TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

COMMERCE & INDUSTRY
DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
TOURISM - NEVADA ARTS COUNCIL (101-2979)
BUDGET PAGE TOURISM-73

James Malone, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, stated there were no major closing issues in this budget, and there were five other closing items. The first four other closing items appeared reasonable, and a technical adjustment was noted in the fifth to increase State General Fund appropriations by \$700 and room tax revenues by \$701 over the biennium to reflect updated rates in the agency's office lease contract. Fiscal staff recommended other closing items 1 through 4 be closed as recommended by the Governor, with the technical adjustment noted in other closing item 5, and requested authority to make other technical adjustments as necessary.

Chair Swank disclosed, even though she was not required to by Joint Standing Rule No. 23, that when not in the Legislature, she worked in the area of historic preservation and did work with the Nevada Arts Council. She wanted to make it very clear that as a legislator, she did not accept any money in her nonprofit job that originated in a legislative measure that she voted on in the Legislature.

Citing the good work performed by the Nevada Arts Council, Senator Cancela wished to increase the funding for this budget by \$25,000 each year of the biennium. She also felt this was important because the Council's funding was not back to prerecession levels, and the Council provided benefits to the state.

SENATOR CANCELA MOVED TO APPROVE OTHER CLOSING ITEMS 1 THROUGH 4 IN BUDGET ACCOUNT 2979 AS RECOMMENDED BY THE GOVERNOR, WITH THE TECHNICAL ADJUSTMENT NOTED IN OTHER CLOSING ITEM 5, AND WITH AN ADDITIONAL \$25,000 PER YEAR IN STATE GENERAL FUND APPROPRIATIONS. FISCAL STAFF WAS AUTHORIZED TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

FINANCE & ADMINISTRATION
DEPARTMENT OF TAXATION
DEPARTMENT OF TAXATION (101-2361)
BUDGET PAGE TAXATION-6

Jaimarie Ortega, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, began with the Department of Taxation budget account. She stated there were six major closing issues for this budget. The first major closing issue was the Governor's recommendation for five new auditor positions. According to the Department, this recommendation would allow the Compliance Audit section, which currently had 43 auditors, to maintain an audit penetration rate of 1.3 percent. The Department indicated it had experienced an increased audit workload because of the addition of the passenger carrier and marijuana taxes, which were added by the 2015 and 2017 Legislatures. The table below detailed the total number of active tax accounts and the total number of audits conducted by the Department in fiscal year (FY) 2017 and FY 2018 and projected in FY 2019 through FY 2021.

| Fiscal Year | Number of Active Tax Accounts | Number of Audits Completed | Audit Penetration Rate |
|--------------------|--|---|---------------------------------------|
| 2017 (Actual) | 128,895 | 1,714 | 1.3% |
| 2018 (Actual) | 126,371 | 1,529 | 1.2% |
| 2019 (Projected) | 128,117 | 1,409 | 1.1% |
| 2020 (Projected) | 128,510 | 1,728 | 1.3% |
| 2021 (Projected) | 128,510 | 1,728 | 1.3% |

The Governor's recommended budget included operating and equipment expenditures for nine positions, which was overstated and should only reflect five new positions. Budget Amendment A192712361 was submitted by the Office of Finance, Office of the Governor, to reduce some operating expenditures, but not all. Fiscal staff recommended a technical adjustment to reduce operating expenditures to reflect five new positions as opposed to nine positions. This adjustment would result in State General Fund reductions totaling \$17,073 in FY 2020 and \$4,547 in FY 2021, inclusive of the budget amendment. Ms. Ortega asked whether the Subcommittees wished to approve General Fund appropriations of \$841,737 over the 2019-2021 biennium to fund five new auditor positions and associated operating and travel expenditures, the adjustments recommended in budget amendment A192712361, and the technical adjustment noted by Fiscal staff. Fiscal staff requested authority to make other technical adjustments as necessary.

ASSEMBLYWOMAN JAUREGUI MOVED TO APPROVE GENERAL FUND APPROPRIATIONS OF \$841,737 OVER THE 2019-2021 BIENNIUM TO FUND FIVE NEW AUDITOR POSITIONS AND ASSOCIATED OPERATING AND TRAVEL EXPENDITURES, THE

ADJUSTMENTS RECOMMENDED IN BUDGET AMENDMENT A192712361, AND THE TECHNICAL ADJUSTMENT NOTED BY FISCAL STAFF. FISCAL STAFF WAS AUTHORIZED TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Ortega moved to the second major closing issue in this budget, the Governor's recommendation for three new information technology (IT) positions at the Carson City office to address the increased IT workload and to ensure timely execution of IT projects. The Department previously indicated the new positions were needed, because three new web application systems that were created for the start of the new marijuana program in FY 2018 diverted IT resources and resulted in a backlog of 133 existing IT projects. The Department indicated the new positions would assist with addressing the backlog of IT projects and provide the additional maintenance and support required from the creation of the three new web application systems related to the marijuana program. Staff noted the decision unit included operating and equipment expenditures for five new positions, which was overstated, and should only reflect the cost for three new positions. Budget amendment A192712361 was submitted by the Governor's Finance Office to reduce some operating expenditures, but not all. Staff recommended a technical adjustment to reflect operating expenditures in each year of the 2019-2021 biennium for three new positions as opposed to five positions. This adjustment would result in General Fund reductions totaling \$27,828 in FY 2020 and \$1,393 in FY 2021, inclusive of the budget amendment. She asked whether the Subcommittees wished to approve General Fund appropriations of \$776,057 over the 2019-2021 biennium for one IT manager and two IT professional positions, the adjustments included in budget amendment A192712361, and the technical adjustment noted by Fiscal staff. Fiscal staff requested authority to enter other technical adjustments as necessary.

SENATOR CANCELA MOVED TO APPROVE GENERAL FUND APPROPRIATIONS OF \$776,057 OVER THE 2019-2021 BIENNIUM FOR ONE INFORMATION TECHNOLOGY (IT) MANAGER AND TWO IT PROFESSIONAL POSITIONS, THE ADJUSTMENTS INCLUDED IN BUDGET AMENDMENT A192712361, AND THE TECHNICAL ADJUSTMENT NOTED BY FISCAL STAFF. FISCAL STAFF WAS AUTHORIZED TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

The third major closing issue presented by Ms. Ortega was the Governor's recommendation to establish new license fees for other tobacco products (OTP) wholesale and retail dealers and an increase in the existing license fee for cigarette wholesale dealers, which would generate additional fee revenue totaling \$325,000 in each year of the 2019-2021 biennium. The Governor recommended using a portion of this revenue for master service agreement (MSA) programmer charges totaling \$208,000 in FY 2020 to implement the recommended new and increased fees in the Department's computer system. The Governor also recommended the remaining revenue be used to reduce tobacco settlement income by \$442,000 over the 2019-2021 biennium, with the tobacco settlement income eliminated in this budget in FY 2021. Bill Draft Request (BDR) 1242 [later introduced as Assembly Bill 535] had been submitted to carry out the recommended change. Staff noted that Budget Amendment A192712361 submitted by the Governor's Finance Office incorrectly stated total fee revenues from Cigarette Manufacturer licensees at \$34,000, which should have been \$44,200. Fiscal staff recommended a technical adjustment to increase the projected revenues from Cigarette Manufacturer licenses beyond the amount included in the budget amendment by \$10,200 in each year of the 2019-2021 biennium. The table below detailed the proposed new and increased fees in each year of the 2019-2021 biennium, including the aforementioned corrections.

| Governor-Recommended New Tobacco Licensing Fees and Fee Increase Decision Unit E-235 | | | | |
|---|--------------|---------------------|----------------|------------------------------|
| License Type | Count | Existing Fee | New Fee | Total Yearly Revenues |
| Cigarette Manufacturer | 33 | \$0 | \$1,000 | \$33,000 |
| OTP Wholesale Dealer | 185 | \$0 | \$650 | \$120,250 |
| OTP or Cigarette Retail Dealers | 3,349 | \$0 | \$50 | \$167,450 |
| <i>Cigarette Wholesale Dealer*</i> | 68 | \$150 | \$650 | <i>\$44,200</i> |
| Total Revenues Per Year | | | | \$364,900 |

**The budget amendment reflects revenues from Cigarette Wholesale Dealer totaling \$34,000, which is incorrect and should reflect \$44,200*

The Department previously indicated the license fees assessed from each cigarette wholesale dealer were established in 1977 and had not been revised since then. Additionally, the Department indicated no license fees were currently assessed on OTP wholesale dealers, OTP retail dealers, and cigarette manufacturers. According to the Department, the recommendation would aid in the regulation of the tobacco industry by legitimizing the industry and would allow these entities to communicate and report business changes, openings, and closures to the Department. Ms. Ortega asked whether the Subcommittees wished to approve new license fees for other tobacco products wholesale and retail dealers and to increase the existing license fee for cigarette wholesale dealers with revenues totaling \$364,900, as recommended in budget amendment A192712361, with the technical adjustment noted by Fiscal staff, contingent upon passage and approval of BDR 1242 [later introduced as Assembly Bill 535].

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE NEW LICENSE FEES FOR OTHER TOBACCO PRODUCTS WHOLESALE AND RETAIL DEALERS AND TO INCREASE THE EXISTING LICENSE FEE FOR CIGARETTE WHOLESALE DEALERS WITH REVENUES TOTALING \$364,900, AS RECOMMENDED IN BUDGET AMENDMENT A192712361, WITH THE TECHNICAL ADJUSTMENT NOTED BY FISCAL STAFF, CONTINGENT UPON PASSAGE AND APPROVAL OF BDR 1242 [LATER INTRODUCED AS ASSEMBLY BILL 535].

SENATOR PARKS SECONDED THE MOTION.

Senator Goicoechea asked about the status of the bill draft request.

Ms. Ortega stated that a BDR number had been assigned, but the bill had not been introduced yet.

Senator Goicoechea clarified that the BDR needed to move forward for this to take place. He assumed the bill would require a two-thirds majority to pass because it was a fee increase. He was concerned about approving this fee change without a bill being in place.

Chair Swank reminded Senator Goicoechea that the motion to approve the fee was contingent on the bill passing. Senator Goicoechea said he could support this motion because it was contingent on the BDR becoming a bill and the bill passing.

THE MOTION CARRIED. (Assemblyman Kramer voted no.)

The fourth major closing issue discussed by Ms. Ortega was the Governor's recommendation for four new alcohol enforcement positions, funded through liquor tax administrative fee revenues of \$715,225 over the 2019-2021 biennium. The recommended new positions included one chief investigator, two compliance/audit investigator positions, and one administrative assistant. However, the Governor's Finance Office submitted budget amendment A192712361, which eliminated the liquor tax administrative fee revenues and reduced the Governor's recommendation by eliminating one new chief investigator position and one administrative assistant position. The two new compliance/audit investigator positions remained in the amended recommendation funded with State General Fund appropriations totaling \$343,438 over the 2019-2021 biennium. Ms. Ortega stated that the Department's policy required all cigarette and liquor wholesale dealers licensed in Nevada to be investigated yearly, which was based on best practices, and the Department was current on those investigations. However, the Department had been unable to perform investigations on all retailers because of a limited number of staff. She asked whether the Subcommittees wished to approve General Fund appropriations totaling \$343,438 over the 2019-2021 biennium to fund two compliance/audit investigator positions, as recommended in budget amendment A192712361.

SENATOR CANCELA MOVED TO APPROVE GENERAL FUND APPROPRIATIONS TOTALING \$343,438 OVER THE 2019-2021 BIENNIUM TO FUND TWO COMPLIANCE/AUDIT INVESTIGATOR POSITIONS, AS RECOMMENDED IN BUDGET AMENDMENT A192712361.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Wheeler was not present for the vote.)

Ms. Ortega moved on to the fifth major closing issue in this budget. The Governor's Finance Office submitted Budget Amendment A192712361, which recommended increasing the salaries of the seven Nevada Tax Commissioners and the Chair of the Nevada Tax Commission, which would require additional General Fund appropriations totaling \$329,110 over the 2019-2021 biennium. The recommendation included an annual salary of \$46,000 for the Chair of the Nevada Tax Commission and an annual salary of \$40,000 for each of the seven Nevada Tax Commissioners. Pursuant to *Nevada Revised Statutes* (NRS) 360.050, the annual compensation for the Chair of the Nevada Tax Commission was \$27,500 and \$20,000 for each of the other commissioners. The Department previously indicated the salaries of the Nevada tax commissioners had not been changed since 2005. The Department further indicated the recommendation would align the salaries with the proposed salaries of the new Cannabis Compliance Board members. Staff noted legislation would be needed to execute these salary increases. Ms. Ortega asked whether the Subcommittees wished to approve General Fund appropriations totaling \$329,110 over the 2019-2021 biennium to increase the salaries of the seven Nevada Tax Commissioners and the Chair of the Commission, as recommended in budget amendment A192712361. If the Subcommittees approved this increase, legislation would be needed to effectuate the recommended increase in salaries.

Chair Swank did not feel doubling the salaries was justified and thought it would be better to develop the justification during the interim and discuss the idea during the next legislative session. She asked for a motion to not approve the salary increases.

SENATOR CANCELA MOVED TO NOT APPROVE GENERAL FUND APPROPRIATIONS TOTALING \$329,110 OVER THE 2019-2021 BIENNIUM TO INCREASE THE SALARIES OF THE SEVEN NEVADA TAX COMMISSIONERS AND THE CHAIR OF THE COMMISSION, AS RECOMMENDED IN BUDGET AMENDMENT A192712361.

ASSEMBLYWOMAN JAUREGUI SECONDED THE MOTION.

Senator Goicoechea observed that even if the salary increases were not approved by the Subcommittees, legislation could be passed to increase them. Because of that, the Subcommittees did not need to approve the almost \$400,000 recommendation.

THE MOTION CARRIED. (Assemblyman Wheeler was not present for the vote.)

The sixth major closing issue presented by Ms. Ortega was the Governor's recommendation to eliminate the requirement for business entities with no tax liability or "zero" tax returns to submit a commerce tax return, which would reduce General Fund appropriations by \$37,228 over the 2019-2020 biennium. The reduction in General Fund appropriations would result from projected savings in not processing zero tax returns through contract services. The Department previously indicated that the recommendation would ensure staff efforts were allocated efficiently and better used for processing, monitoring, and collecting other tax types rather than the zero tax returns. Senate Bill (S.B.) 497 would implement the recommended change. Ms. Ortega asked whether the Subcommittees wished to approve the Governor's recommendation to reduce General Fund appropriations by \$37,228 over the 2019-2021 biennium, contingent upon passage and approval of S.B. 497.

SENATOR GOICOECHEA MOVED TO APPROVE THE GOVERNOR'S RECOMMENDATION TO REDUCE GENERAL FUND APPROPRIATIONS BY \$37,228 OVER THE 2019-2021 BIENNIUM, CONTINGENT UPON PASSAGE AND APPROVAL OF SENATE BILL 497.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Wheeler was not present for the vote.)

Ms. Ortega stated there were five other closing items in this budget. Fiscal staff recommended other closing item 1 be closed contingent upon approval of Assembly Bill 530; other closing items 2 and 5 be closed based upon the Subcommittees' closing action on the Marijuana Regulation and Control Account; other closing item 3 be closed as adjusted by the budget amendment; and other closing item 4 not be approved if other closing item 3 was approved. Fiscal staff also requested authority to make other technical adjustments as necessary.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE OTHER CLOSING ITEM 1 IN BUDGET ACCOUNT 2361 CONTINGENT UPON APPROVAL OF ASSEMBLY BILL 530; OTHER CLOSING ITEMS 2 AND 5 BE CLOSED BASED UPON THE SUBCOMMITTEES' CLOSING ACTION ON THE MARIJUANA REGULATION AND CONTROL

ACCOUNT; OTHER CLOSING ITEM 3 BE CLOSED AS ADJUSTED BY THE BUDGET AMENDMENT; AND OTHER CLOSING ITEM 4 NOT BE APPROVED BECAUSE OTHER CLOSING ITEM 3 WAS APPROVED. FISCAL STAFF WAS AUTHORIZED TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED. (Assemblyman Wheeler was not present for the vote.)

FINANCE & ADMINISTRATION
DEPARTMENT OF TAXATION
TAXATION - MARIJUANA REGULATION AND CONTROL ACCT (101-4207)
BUDGET PAGE TAXATION-15

Jaimarie Ortega, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau (LCB), stated there were four major closing issues in the Marijuana Regulation and Control Account. The first major closing issue was the Governor's recommendation for a new policy approach for the regulation and oversight of the cannabis, or marijuana, industry in Nevada. The approach entailed the establishment of a standalone Cannabis Compliance Board (CCB), a new agency primarily encompassing existing funding for the regulation and enforcement of medical and recreational marijuana included in the Marijuana Regulation and Control Account (MRCA) within the Department of Taxation. The Office of Finance, Office of the Governor, submitted budget amendments A193114207 and A192712361 and requested Bill Draft Request (BDR) 60-1217 [later introduced as Assembly Bill 533] to effectuate this change. The recommendation would maintain the tax collection functions at the Department of Taxation and would dedicate the regulatory functions, licensure, and registration of the marijuana industry to the new CCB. Specifically, the new CCB would be responsible for collecting application and license fees, time and effort assessments, civil penalties, and agent card registration fees. The Department indicated the recommendation would allow the Department of Taxation to focus on its mission of providing fair, efficient, and effective administration of tax programs for the state. The table below detailed proposed expenditures for 5 CCB members; 12 Cannabis Advisory Commission (CAC) members, inclusive of 4 ex-officio members; and 8 new positions included in budget amendment A193114207.

| Description | FY 2020 | FY 2021 |
|-----------------------------|---------------------|---------------------|
| Personnel (8 FTE) | \$ 756,153 | \$ 875,830 |
| Travel | \$ 4,283 | \$ 4,780 |
| Operating and Equipment | \$ 291,580 | \$ 44,325 |
| Cannabis Advisory Committee | \$ 1,920 | \$ 3,840 |
| CCB Members | \$ 213,746 | \$ 213,858 |
| TOTAL | \$ 1,267,682 | \$ 1,142,633 |

The budget amendment included four new part-time board members with recommended salaries of \$40,000 per year and one part-time chairman of the board with a recommended salary of \$46,000. The Department indicated the CCB membership was modeled after the structure of the Nevada Tax Commission, and each member would be appointed by the Governor to serve four-year terms. The main duties and responsibilities of the CCB were listed below.

- Issue regulations and policies.
- Establish fees and financial requirements.
- Issue licenses related to the cultivation, processing, manufacturing, transport, distribution, testing, study, advertising, and sale of cannabis, cannabis plants, and cannabis-related products and services.
- Promulgate regulations and policies to take enforcement actions to ensure consumer safety and public health related to the cultivation, processing, manufacturing, transport, distribution, testing, advertising, and sale of cannabis, cannabis plants, and cannabis-related products and services.
- Promulgate regulations and policies regarding transfer of licenses and ensure that the legal cannabis industry is economically competitive, inclusive of racial minorities and women, inclusive of persons who have been adversely affected by cannabis prohibition, and accessible to low-income persons seeking to start new businesses.
- Approve or disapprove applications or other transactions and processes as detailed in *Nevada Revised Statutes* (NRS) and *Nevada Administrative Code* (NAC) 453A and 453D.
- Gather facts and information applicable to the CCB's obligation to issue, suspend or revoke licenses, registrations, or other approvals for violating NRS and NAC 453A or 453D.
- Issue subpoenas, impose fines and fees, conduct adjudicatory proceedings, and refer cases for criminal prosecution.
- Monitor federal activities related to cannabis.

The Department anticipated the CCB members would meet at least three times in FY 2020 and at least six times in FY 2021 and would schedule additional meetings if necessary. The Governor also recommended eight Governor-appointed CAC members with a recommended daily compensation of \$80 when attending board meetings, and four ex-officio members.

The proposed members of the CAC as provided by the Governor's Finance Office were listed below:

1. The Executive Director of the Cannabis Compliance Board, who would serve as Chair.
2. The Director of the Nevada Department of Public Safety to represent law enforcement interests.
3. The Director of the Department of Agriculture for expertise on cultivation and chemical usage.
4. The Director of the Nevada Department of Taxation.
5. One expert in cannabis cultivation.
6. One expert in cannabis retailing.
7. One expert in cannabis product manufacturing.
8. One expert in laboratory sciences and toxicology.
9. One physician licensed to practice in the state with demonstrated recent expertise in the medical uses of cannabis, through active clinical practice, clinical or other medical research, or a combination of both, and who should, during his/her term on the Board, remain up to date on cannabis-related clinical and medical research.
10. One advocate for medical cannabis patients.
11. One expert in criminal justice reform to mitigate the disproportionate impact of drug prosecutions on communities of color.
12. One attorney with experience providing legal services to cannabis businesses, cannabis consumers, or medical cannabis patients in the state or in other relevant jurisdictions in which the medical or recreational use of cannabis is permitted.

According to the Department, the CAC would study and make recommendations to the CCB members regarding the regulation of the marijuana industry, including guidelines, rules, and regulations. As indicated, the Governor also recommended eight new positions who would provide management and information technology (IT) support for the new CCB. The table below detailed the new position recommendations included in the budget amendment, including each position's start date, salary, and proposed duties.

| Position Title | Start Date | 2019-2021 Biennium Personnel Costs | Duties |
|----------------------------------|-----------------|---|--|
| Unclassified Executive Director | July 2019 | \$ 328,039 | Manage the CCB agency and the transition of the marijuana program to the CCB. |
| Unclassified Executive Assistant | July 2019 | \$ 168,773 | Provide administrative support for the Executive Director and the new CCB. |
| Administrative Services Officer | August 2019 | \$ 244,489 | Manage the Fiscal and Administrative functions of the new CCB. |
| Public Information Officer | October 2019 | \$ 157,616 | Act as the public information point of contact; prepare media releases; and update the new CCB webpage. |
| Business Process Analyst | October 2019 | \$ 164,629 | Provide business process analysis to the CCB's systems; manage application regression testing; develop training materials, regulations, and procedures for various department program areas. |
| IT Manager | August 2019 | \$ 266,129 | Act as the Lead IT position. |
| IT Professional | October 2019 | \$ 177,579 | Provide IT support for application design and system development analysis. |
| IT Technician | October 2019 | \$ 124,639 | Oversee system maintenance and provide IT help desk support. |

Ms. Ortega then discussed the timeline and stated that because the provisions of the Regulation and Taxation of Marijuana Act were established in Initiative Petition (I.P.) 1 of the 78th Legislative Session (2015) and approved by Nevada voters on November 8, 2016, the Department of Taxation must comply with Article 19, Section 2 of the *Nevada Constitution*, which indicated that the provisions of the Regulation and Taxation of Marijuana Act were not subject to legislative amendment or repeal until three years after the initiative petition (November 22, 2019). The provisions of I.P. 1 indicated that the 15 percent wholesale excise tax on marijuana must be expended to pay the costs of the Department of Taxation in carrying out the provisions of the Regulation and Taxation of Marijuana Act. Any remaining money was to be deposited to the credit of the State Distributive School Account. Ms. Ortega noted the budget amendment included eight new full-time positions, CCB members, and the CAC starting before November 22, 2019. The Department indicated the new CCB was anticipated to be established in January 2020. However, according to the Department of Taxation, hiring the positions before January 2020 was necessary for the transition and to ensure regulation and staffing were in place before transferring the MRCA to the new CCB. Fiscal staff discussed this recommendation with the Legislative Counsel Bureau legal staff, who determined the funds generated from the sale of recreational marijuana could not be used for personnel costs and operating costs associated with the transition or implementation of the new CCB until after November 22, 2019. Accordingly, if the Subcommittees wish to approve the Governor's proposal, and avoid conflict with Article 19, Section 2 of the *Nevada Constitution*, the Subcommittees might wish to consider funding the eight new positions, eight CAC members, and the five part-time CCB members with State General Fund appropriations totaling \$673,098 for the period beginning July 1, 2019, and ending January 1, 2020, instead of utilizing the 15 percent wholesale tax on marijuana. As an alternative, the Subcommittees could also consider

revising the start date of these positions to January 2020, providing a six-month transition, and implement the new CCB on July 1, 2020. Delaying the implementation of the CCB could result in the following:

- No need for General Fund Appropriations: Because the positions would start after the expiration of I.P. 1, General Fund appropriations would not be needed to fund the proposed positions during the first half of FY 2020. Rather, the positions could be funded beginning January 1, 2020, utilizing funds from the 15 percent wholesale tax on marijuana.
- Compliance with I.P. 1 restrictions: If the agency was not allowed to begin preparatory work until after the provisions of the Initiative Petition expired, there would be greater certainty that the funds restricted by I.P. 1 would be used for their intended purpose through the time in which the restriction expired.
- Fiscal year transition: This recommendation would ensure a clean transition between fiscal years over the 2019-2021 biennium, because it would not require the Marijuana Regulation and Control Account to be removed from the Department of Taxation's purview midway through FY 2020 and function independently as the CCB for the last six months of FY 2020.
- Additional time to plan for transition: Delaying the implementation of the CCB would provide more time to ensure the transition was properly executed.

Ms. Ortega stated there were three decision points for the Subcommittees and presented the first, which related to the establishment of the Cannabis Compliance Board:

- A. Approve the establishment of a new Cannabis Compliance Board agency, including two new unclassified positions and six new classified full-time positions, five part-time board members, and eight Cannabis Advisory Commission members, which would reduce reserves by \$2.4 million over the 2019-2021 biennium, contingent upon legislation that would effectuate the establishment of the new Cannabis Compliance Board agency.
- B. Maintain the Marijuana Regulation and Control Account under the Department of Taxation without establishing the Cannabis Compliance Board or Cannabis Advisory Commission.
- C. Maintain the Marijuana Regulation and Control Account under the Department of Taxation and establish the Cannabis Compliance Board and Cannabis Advisory Commission under the Department of Taxation, which would reduce reserves by \$433,364 over the 2019-2021 biennium.

Chair Swank stated she had met with Ms. Melanie Young, Executive Director, Department of Taxation, and had good discussions about how the regulatory body should be structured. She was in favor of option A and asked for a motion.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE THE ESTABLISHMENT OF A NEW CANNABIS COMPLIANCE BOARD AGENCY, INCLUDING TWO NEW UNCLASSIFIED POSITIONS AND SIX NEW CLASSIFIED FULL-TIME POSITIONS, FIVE PART-TIME BOARD MEMBERS, AND EIGHT CANNABIS ADVISORY COMMISSION MEMBERS, WHICH WOULD REDUCE RESERVES BY \$2.4 MILLION OVER THE 2019-2021 BIENNIUM, CONTINGENT UPON APPROVAL OF LEGISLATION THAT WOULD EFFECTUATE THE ESTABLISHMENT OF THE NEW CANNABIS COMPLIANCE BOARD AGENCY.

SENATOR CANCELA SECONDED THE MOTION.

Senator Goicoechea was concerned about the creation of a new CCB and admitted he was probably not as well informed as Chair Swank. He would be voting no on this measure and preferred less spending.

Chair Swank stated that her comfort with this option came from looking at the structure of the Department of Taxation. Most divisions within the Department of Taxation seemed to fit with the Department's mission, but the Marijuana Regulation and Control Account did not.

Senator Goicoechea stated he would still be voting no and would try to become comfortable.

Assemblyman Kramer did not see much difference between marijuana and alcohol. He stated that law enforcement already worked with alcohol control and marijuana and he did not see the need for a new department.

Assemblywoman Monroe-Moreno understood Assemblyman Kramer's view, and countered that marijuana was an entity unto itself, whether recreational or medicinal. Tracking the marijuana from seed-to-sale was unique and not like the regulated production of alcohol. Asking untrained law enforcement to take on the regulation of marijuana, in addition to their existing duties, would not be successful. As a member of the Governor's Advisory Panel for Creation of a Cannabis Compliance Board, Assemblywoman Monroe-Moreno had toured other states to learn best practices, and the stand-alone regulation provided more oversight and control over the marijuana industry. It also freed up the Department of Taxation to focus on its task, which was taxation. She would be voting in favor of the CCB.

Senator Parks asked whether the biennial salaries referenced for the eight new positions were estimated, budgetary numbers, or final amounts. He noted that usually a bill at the end of session addressed salaries.

Mark Krmpotic, Senate Fiscal Analyst, Legislative Counsel Bureau (LCB), stated that the executive director and the executive assistant positions were unclassified positions, and the salaries for those positions would be set in the Pay Bill at the end of the legislative session.

THE MOTION CARRIED. (Assemblymen Kramer and Wheeler and Senator Goicoechea voted no.)

Ms. Ortega presented the following options for the Subcommittees to consider for their second decision point, which related to the start date of the new CCB agency:

- A. Approve two new unclassified positions and six new classified full-time positions, five part-time board members, and eight Cannabis Advisory Commission members, to be funded with General Fund appropriations totaling \$673,098 for the period covering July 1, 2019, through January 1, 2020, and change the funding source for the noted positions, effective January 2, 2020, to reserve reductions, which would total \$1.7 million for the remainder of the 2019-2021 biennium.
- B. Approve reserve reductions of \$2.0 million over the 2019-2021 biennium to support two new unclassified positions and six new classified full-time positions, five part-time board members, and eight Cannabis Advisory Commission members effective January 2, 2020, with an implementation date for the CCB of July 1, 2020.

Chair Swank stated she was in favor of option B because of the provisions in I.P. 1, which prevented the set-up of the CCB until after November 22, 2019. She preferred the later dates to avoid conflict.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE RESERVE REDUCTIONS OF \$2.0 MILLION OVER THE 2019-2021 BIENNIUM TO SUPPORT TWO NEW UNCLASSIFIED POSITIONS AND SIX NEW CLASSIFIED FULL-TIME POSITIONS, FIVE PART-TIME BOARD MEMBERS, AND EIGHT CANNABIS ADVISORY COMMISSION MEMBERS EFFECTIVE JANUARY 2, 2020, WITH AN IMPLEMENTATION DATE FOR THE CCB OF JULY 1, 2020.

SENATOR GOICOECHEA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

The third decision point presented by Ms. Ortega related to the salaries for the CCB. She presented the following options to the Subcommittees to consider:

- A. Approve the salary for each part-time board member at \$40,000 per year with one part-time chairman of the board member at \$46,000 per year (not including benefits), for yearly costs totaling \$427,604 over the 2019-2021 biennium (inclusive of benefits).
- B. Approve the salary for each part-time board member at \$20,000 per year with one part-time chairman of the board member at \$27,500 per year (not including benefits), for yearly costs totaling \$223,084 over the 2019-2021 biennium (inclusive of benefits).

Chair Swank supported option B to keep the salaries parallel with those on the Tax Commission.

SENATOR CANCELA MOVED TO APPROVE THE SALARY FOR EACH PART-TIME BOARD MEMBER AT \$20,000 PER YEAR WITH ONE PART-TIME CHAIRMAN OF THE BOARD MEMBER AT \$27,500 PER YEAR (NOT INCLUDING BENEFITS), FOR YEARLY COSTS TOTALING \$223,084 OVER THE 2019-2021 BIENNIUM (INCLUSIVE OF BENEFITS).

ASSEMBLYMAN KRAMER SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Ortega then stated that pursuant to Article 11, Section 6 of the *Nevada Constitution*, the Legislature shall fund the operation of the public schools in the state for kindergarten through grade 12 before any other appropriations were enacted to fund a portion of the state budget, commonly known as Fund Education First. Because the MRCA and the proposed CCB included funding transfers to the Distributive School Account (DSA), the funding from this account must be approved simultaneously with the K-12 funding bill. In that regard, the Subcommittees might also wish to consider including language in the K-12 funding bill for the funds associated with the operations and regulation of the MRCA or the new CCB agency. Ms. Ortega asked whether the Subcommittees wished to include language in the K-12 funding bill to fund the operation and regulation of the Marijuana Regulation and Control Account and the new Cannabis Compliance Board.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO INCLUDE LANGUAGE IN THE K-12 FUNDING BILL TO FUND THE OPERATION AND REGULATION OF THE MARIJUANA REGULATION AND

CONTROL ACCOUNT AND THE NEW CANNABIS COMPLIANCE BOARD.

SENATOR PARKS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Ortega then moved on to the second major closing item in budget account 4207. Because the Subcommittees approved the establishment of the proposed new CCB agency, there were three additional issues for the Subcommittees to consider. The first was the elimination of one existing revenue officer position that was currently filled. The Department indicated the duties of this position were tax-oriented and not aligned with the regulatory duties of the new CCB agency. The Department anticipated the existing positions would be able to absorb the duties of the revenue officer position and planned to transition this position to an alternative position in the Department. Ms. Ortega presented the following options for the Subcommittees to consider:

- A. If the Subcommittees did not approve the establishment of a new Cannabis Compliance Board agency, do not approve the elimination of the existing revenue officer position.
- B. If the Subcommittees approved the establishment of a new Cannabis Compliance Board agency, approve the elimination of the existing revenue officer position, increasing reserves by \$101,784 over the 2019-2021 biennium.

Chair Swank was in favor of option B and understood it did not cause a layoff, because the person in the position being eliminated would be moved elsewhere.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE THE ELIMINATION OF THE EXISTING REVENUE OFFICER POSITION, INCREASING RESERVES BY \$101,784 OVER THE 2019-2021 BIENNIUM.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Ortega moved on to the next decision to be made by the Subcommittees. As part of the Governor's recommendation to establish a new CCB agency and maintain the tax collection functions at the Department of Taxation, the budget amendment transferred four existing positions and building security expenditures from the Marijuana Regulation and Control Account (MRCA) to the Department's budget. The budget amendment also recommended changing the funding source for these four positions from fee revenue to General Fund

appropriations totaling \$1.3 million over the 2019-2021 biennium. The Department indicated the duties of these four positions were primarily related to tax collection, and transferring these positions to the Department of Taxation would be appropriate. Ms. Ortega presented the following two options for the Subcommittees to consider:

- A. If the Subcommittees did not approve the establishment of a new Cannabis Compliance Board agency, do not approve the transfer of one management analyst position, one tax program supervisor position, and two tax examiner positions from the Marijuana Regulation and Control Account to the Department of Taxation.
- B. If the Subcommittees approved the establishment of a new Cannabis Compliance Board agency, approve the transfer of one management analyst position, one tax program supervisor position, and two tax examiner positions from the Marijuana Regulation and Control Account to the Department of Taxation; change the funding source for these positions from fees to General Fund appropriations totaling \$1.3 million over the 2019-2021 biennium; and approve the technical adjustment noted by Fiscal staff.

Chair Swank asked for a motion for option B.

SENATOR CANCELA MOVED TO APPROVE THE TRANSFER OF ONE MANAGEMENT ANALYST POSITION, ONE TAX PROGRAM SUPERVISOR POSITION, AND TWO TAX EXAMINER POSITIONS FROM THE MARIJUANA REGULATION AND CONTROL ACCOUNT TO THE DEPARTMENT OF TAXATION; CHANGE THE FUNDING SOURCE FOR THESE POSITIONS FROM FEES TO GENERAL FUND APPROPRIATIONS TOTALING \$1.3 MILLION OVER THE 2019-2021 BIENNIUM; AND APPROVE THE TECHNICAL ADJUSTMENT NOTED BY FISCAL STAFF.

ASSEMBLYWOMAN MONROE-MORENO SECONDED THE MOTION.

Senator Goicoechea sought confirmation that the Subcommittees approved the CCB, and now positions were being transferred back to the Department of Taxation.

Ms. Ortega stated that Senator Goicoechea's understanding was correct. The four positions existed in the Marijuana Enforcement Division, but were collecting taxes, which was a function of the Department of Taxation.

Senator Goicoechea asked whether the Department of Taxation would still be collecting taxes after the CCB was established.

Ms. Ortega clarified that the collection of taxes would be maintained at the Department of Taxation. Any regulatory function would be performed by the new CCB agency. The four positions proposed to transfer collected taxes, and because they collected taxes, they were proposed to transfer to the Department of Taxation.

Assemblyman Kramer asked what fee revenue had been funding the positions in question. He thought that because these positions were collecting taxes, General Funds should have been funding the positions already.

Ms. Ortega stated that the positions were in the Marijuana Enforcement Division and were funded with revenue associated with the marijuana program, such as excise taxes, wholesale taxes, and the fees associated with the program. Transferring the positions to the Department of Taxation and funding them with General Fund appropriations would align the positions with others collecting taxes in the Department of Taxation.

When Assemblyman Kramer questioned whether the positions would still be collecting marijuana taxes after they moved to the Department of Taxation, Ms. Ortega responded that they would be collecting marijuana excise taxes, which were maintained at the Department of Taxation.

Assemblyman Kramer asked why, if their sole job was to collect marijuana excise taxes, the positions would not continue to be funded with marijuana fees.

Ms. Ortega understood that all other positions in the Department of Taxation that collected various types of taxes were funded with General Fund appropriations.

Assemblyman Kramer asked why the funding for these positions would change, because they were funded by marijuana excise taxes while in the Marijuana Enforcement Division.

Chair Swank interjected that when the positions were in the Marijuana Enforcement Division, they worked on marijuana revenues and were funded with marijuana fees. The marijuana fees should remain in the new CCB agency. Once the positions moved to the Department of Taxation, they should be funded with General Fund appropriations, similar to the other positions in the Department. This separation would provide a cleaner funding stream. She reminded Assemblyman Kramer he could vote against the motion.

Assemblyman Kramer stated he agreed with the separation, but wondered how the bifurcation happened initially. He suspected the justification for adding staff to the Department of Taxation was that they would work on the marijuana program and be funded with marijuana fees.

Chair Swank stated that when the new marijuana program was established, it was in transition, and this was one of the steps to completing the program.

SENATOR CANCELA'S MOTION CARRIED UNANIMOUSLY.

Ms. Ortega continued with budget account 4207 and stated the Governor recommended reserve reductions of \$2.8 million over the 2019-2021 biennium for a new cost-allocation plan that would transfer funds from this budget to the Department of Taxation budget for the services provided by the Department's staff for the division. The table below detailed the new cost-allocation plan, categorized into five cost pools in each year of the 2019-2021 biennium.

| Cost Pool | FTE in the Department of Taxation Budget | FY 2020 | FY 2021 |
|------------------------|---|--------------------|--------------------|
| Administrative | 9 | \$148,262 | \$149,527 |
| Information Technology | 28 | \$482,674 | \$507,545 |
| Fiscal | 68 | \$516,873 | \$531,329 |
| Compliance | 204 | \$248,133 | \$254,353 |
| Excluded | 72 | \$0 | \$0 |
| Total | 381 | \$1,395,942 | \$1,442,754 |

Corresponding to the previously mentioned recommendation in the Marijuana Regulation and Control Account budget amendment, the Department of Taxation budget amendment recommended reducing the new Department cost allocation between the two budgets originally recommended by the Governor from \$2.8 million to \$89,608 over the 2019-2021 biennium, a reduction of \$2.7 million. Fiscal staff noted the recommendation would result in a General Fund hole of \$2.7 million over the 2019-2021 biennium. However, a decrease in total expenditures resulting from the reduction of a new cost allocation and the recommended transfer of five positions from the MRCA to the Department of Taxation increased the transfer of funds to the DSA from the MRCA. As a result, there would be a reduction in General Fund appropriations needed in the DSA. Accordingly, the increase in General Fund appropriations in the Department of Taxation budget was negated by a decrease in General Fund appropriations in the DSA. Ms. Ortega presented the following options for the Subcommittees to consider:

- A. If the Subcommittees did not approve the establishment of a new Cannabis Compliance Board agency, approve the Governor-recommended new Department of Taxation cost allocation totaling \$2.8 million over the 2019-2021 biennium and revised estimates for the 15 percent excise tax, licenses, and fees from marijuana establishment licensees.
- B. If the Subcommittees approved the establishment of a new Cannabis Compliance Board agency, approve the revised Department of Taxation cost allocation from \$2.8 million to \$89,608 over the 2019-2021 biennium.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE THE REVISED DEPARTMENT OF TAXATION COST ALLOCATION FROM \$2.8 MILLION TO \$89,608 OVER THE 2019-2021 BIENNIUM.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Ortega moved on to the third major closing item in budget account 4207. The Governor recommended ten new full-time positions to assist with the enforcement of state regulations on the expanding marijuana industry. The Department previously testified that its efforts had been reactive, as opposed to proactive, because of the limited resources in monitoring and analyzing the seed-to-sale tracking system. The table below provided the existing state positions and the recommended new state positions included in the Governor-recommended budget.

| Department of Taxation's Marijuana Enforcement Division Existing and Governor Recommended New Positions | | | | | |
|--|----------------------------------|--|--|---|--|
| Position Title | Legislatively Approved FTE | Approved FTE by the IFC in December 2017 | Approved FTE by the IFC in June 2018 | Governor Recommended New Positions (E-226) | Total FTE for the 2019-2021 Biennium |
| Deputy Director | 1 | | | | 1 |
| Administrative Assistant | 4 | 3 | 5 | | 12 |
| Marijuana Program Inspector | 8 | 1 | | 2 | 11 |
| Auditor | 3 | 2 | | 3 | 8 |
| Chief Investigator, Compliance/Auditor | 1 | | | | 1 |
| Compliance/Audit Investigator | 3 | | | 2 | 5 |
| Tax Examiner | 2 | | | 1 | 3 |
| Health Program Manager | 1 | | 1 | | 2 |
| Program Officer | 1 | 1 | | | 2 |
| Management Analyst | | 1 | 1 | | 2 |
| Revenue Officer | 1 | | | 1 | 2 |
| Administrative Services Officer | | | 1 | | 1 |
| Education & Information Officer | 1 | | | | 1 |
| Tax Program Supervisor | 1 | | | | 1 |
| IT Technician | 1 | | | | 1 |
| Accounting Assistant | | | | 1 | 1 |
| Total | 28 | 8 | 8 | 10 | 54 |

Ms. Ortega stated that the Department's projected growth in the marijuana industry prompted the request for ten new full-time positions. The total number of licensed marijuana establishments had increased from 589 in FY 2018 to 659 as of March 1, 2019, and was projected to be 806 in FY 2020 and FY 2021. The two new marijuana inspector positions recommended by the Governor in the Las Vegas office would perform inspections on marijuana establishments to ensure compliance with the public health and safety rules and regulations of the Marijuana Program. The Governor also recommended three new auditor positions to perform regulatory and financial audits of marijuana establishments for compliance with rules and regulations in accordance with generally accepted auditing standards. In addition, the Governor recommended two new compliance/audit investigator

positions for the Las Vegas office to perform investigations and audits on the marijuana industry. Included in the decision unit was one new revenue officer position to facilitate the collection and processing of accounts receivables or delinquencies associated with the collection of taxes and penalties from marijuana establishments. The Governor recommended one new tax examiner position to assist taxpayers with the submission of sales permit applications and excise tax licenses, to collect and process large volumes of cash for marijuana tax returns, and to process and collect fees from marijuana agents. The final recommended additional position was an accounting assistant to accept agent card, new establishment, and renewal application forms, and to process and audit travel requests, payroll, and accounts payable.

Ms. Ortega discussed the budget amendment that was submitted by the Governor's Finance Office, which revised the Governor's recommendation for ten new positions to nine new positions, as part of the Governor's initiative to establish the new CCB agency. Specifically, the budget amendment added one new compliance audit investigator position and eliminated the original recommendation for one new revenue officer position and one new tax examiner position. Because of a legislative audit [LA20-05] released by the Legislative Counsel Bureau on March 4, 2019, that identified weaknesses in the Department's information system control, the Department indicated the three new compliance audit investigator positions, along with the auditor positions, would ensure accuracy, complete data entry, and identify discrepancies in the Marijuana Enforcement Tracking Reporting and Compliance (METRC) system. Ms. Ortega presented the following options for the Subcommittees to consider:

- A. If the Subcommittees did not approve the establishment of a new Cannabis Compliance Board agency, approve the ten new positions recommended in The Executive Budget.
- B. If the Subcommittees approved the establishment of a new Cannabis Compliance Board agency, approve the nine new positions recommended in the budget amendment.
- C. Not approve the Governor-recommended budget for ten new positions nor the nine new positions included in budget amendment A193114207.

Chair Swank stated her support for option B. She felt the nine new positions were needed and asked for a motion to approve.

ASSEMBLYWOMAN JAUREGUI MOVED TO APPROVE THE NINE
NEW POSITIONS RECOMMENDED IN THE BUDGET AMENDMENT.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

The fourth major closing issue presented by Ms. Ortega addressed enforcement positions. Budget amendment A193114207 did not include any recommendations for Peace Officers' Standards and Training (P.O.S.T.)-certified positions. However, during the work session on April 17, 2019, the Subcommittees expressed concerns regarding the lack of sworn positions or P.O.S.T.-certified positions to perform investigations of suspected illegal activities, which would fall under the purview of sworn law enforcement. In response to questions posed by the Subcommittees, the Department of Taxation indicated if sworn or P.O.S.T.-certified positions were provided for the new CCB agency, it would need four compliance investigator positions to create teams of two in both southern Nevada and northern Nevada to provide safety, accountability, and backup while out in the field. Based on the supporting document provided by the Department, adding four compliance enforcement investigator (CEI) positions, including operating equipment and travel expenditures, would require reserve reductions of \$818,000 over the 2019-2021 biennium. Staff noted that establishing P.O.S.T.-certified positions within this agency would require enabling legislation. Ms. Ortega asked whether the Subcommittees wished to approve reserve reductions of \$818,000 over the 2019-2021 biennium to support four new P.O.S.T.-certified compliance enforcement investigator positions, contingent upon the passage of enabling legislation. Fiscal staff requested authority to make technical adjustments as necessary.

Chair Swank voiced her support for the addition and asked for a motion.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO APPROVE RESERVE REDUCTIONS OF \$818,000 OVER THE 2019-2021 BIENNIUM TO SUPPORT FOUR NEW P.O.S.T.-CERTIFIED COMPLIANCE ENFORCEMENT INVESTIGATOR POSITIONS, CONTINGENT UPON THE PASSAGE OF ENABLING LEGISLATION. FISCAL STAFF WAS AUTHORIZED TO MAKE TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR PARKS SECONDED THE MOTION.

Senator Goicoechea agreed that the positions were needed. He asked whether legislation had been introduced to enable the change. He also asked whether four investigators were enough and whether the investigators would be alone in the field or if there would be two investigators in a car at a time.

Chair Swank invited Ms. Melanie Young, Executive Director, Department of Taxation, to the testimony table to address Senator Goicoechea's questions.

Ms. Young stated that investigators would be paired up for security and safety. When Senator Goicoechea asked whether they would be operating together at all times, Ms. Young confirmed that they would. Senator Goicoechea explained he was concerned about an investigator being out alone and was relieved to hear the clarification.

THE MOTION CARRIED UNANIMOUSLY.

Ms. Ortega stated there were five other closing items in this budget. For other closing item 1, Fiscal staff recommended a technical adjustment to adjust the contract security services to reflect the increased rates. Other closing item 2 required enabling legislation. In other closing item 5, staff requested authority to update revenues to reflect the May 2019 consensus forecast, adjust reserve levels to support 90 days of operating expenditures at the end of each fiscal year, and reconcile the amounts that would be transferred to the DSA based on the decisions made by the Subcommittees. Fiscal staff recommended other closing items 3 and 4 be closed as recommended by the Governor; other closing item 1 be closed with the technical adjustment noted by Fiscal staff; and other closing item 2 be closed contingent upon the passage and approval of Assembly Bill 530 or other enabling legislation. In addition, Fiscal staff recommended approval of other closing item 5 to update revenues to reflect the May 2019 consensus forecast, adjust reserve levels to ensure a 90-day reserve level at the end of each fiscal year, and reconcile the amounts that would be transferred to the Distributive School Account based on the decisions made by the Subcommittees. Fiscal staff also sought authority to make other technical adjustments as necessary.

ASSEMBLYWOMAN MONROE-MORENO MOVED TO:

1. APPROVE OTHER CLOSING ITEMS 3 AND 4 IN BUDGET ACCOUNT 4207 AS RECOMMENDED BY THE GOVERNOR.
2. APPROVE OTHER CLOSING ITEM 1 WITH THE TECHNICAL ADJUSTMENT NOTED BY FISCAL STAFF.
3. APPROVE OTHER CLOSING ITEM 2 CONTINGENT UPON THE PASSAGE AND APPROVAL OF ASSEMBLY BILL 530 OR OTHER ENABLING LEGISLATION.
4. APPROVE OTHER CLOSING ITEM 5 TO UPDATE REVENUES TO REFLECT THE MAY 2019 CONSENSUS FORECAST, ADJUST RESERVE LEVELS TO ENSURE A 90-DAY RESERVE LEVEL AT THE END OF EACH FISCAL YEAR, AND RECONCILE THE AMOUNTS THAT WOULD BE TRANSFERRED TO THE DISTRIBUTIVE SCHOOL ACCOUNT BASED ON THE DECISIONS MADE BY THE SUBCOMMITTEES.
5. AUTHORIZE FISCAL STAFF TO MAKE OTHER TECHNICAL ADJUSTMENTS AS NECESSARY.

SENATOR CANCELA SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

Chair Swank thanked the members of the Subcommittees for accomplishing so much during the meeting and opened the meeting for public comment. Seeing none, Chair Swank adjourned the meeting at 9:49 a.m.

RESPECTFULLY SUBMITTED:

Nancy Morris
Committee Secretary

APPROVED BY:

Assemblywoman Heidi Swank, Chair

DATE: _____

Senator Yvanna D. Cancela, Chair

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.