

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session
March 21, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:00 a.m. on Monday, March 21, 2005, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

STAFF MEMBERS PRESENT:

Mindy Braun, Education Program Analyst
Laura Freed, Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Anne Vorderbruggen, Committee Secretary

OTHERS PRESENT:

H. Pepper Sturm, Chief Deputy Research Director, Research Division, Legislative Counsel Bureau
Fred Welden, Elko County
Judith Winzeler, Executive Director, Nevada Humanities
Robert E. Shriver, Executive Director, Division of Economic Development, Commission on Economic Development
Berlyn Miller, Vice Chairman, Commission on Economic Development
Lisa Foster, Deputy Chief of Staff, Office of the Governor
Donald D. Snyder, Chairman, Nevada Development Authority
Kenneth G. Ladd, Executive Committee Member, Nevada Development Authority
Chuck Alvey, President and CEO, Economic Development Authority of Western Nevada
Robert Cashell, Mayor, City of Reno
Charles Geocaris, Director, Division of Motion Pictures, Commission on Economic Development
Robin Holabird, Deputy Director, Division of Motion Pictures, Division of Economic Development, Commission on Economic Development
John P. Comeaux, Director, Department of Administration
Carl Dahlen, Director, Rural Community and Economic Development, Division of Economic Development, Commission on Economic Development
Rick Horn, Director, Procurement Outreach Program, Division of Economic Development, Commission on Economic Development

Peter Brand, Administrative Service Officer, Southern Nevada Adult Mental Health Services, Division of Mental Health and Developmental Services, Department of Human Resources

Carlos Brandenburg, Ph.D., Administrator, Division of Mental Health and Developmental Services, Department of Human Resources

Richard Burdette, Director, Nevada State Office of Energy

Ray Pearson, Commissioner, Commission on Tourism

Bruce Bommarito, Executive Director, Commission on Tourism

Scott K. Sisco, Interim Director, Department of Cultural Affairs

Shirley G. Walker, Churchill Economic Development Authority

CHAIR RAGGIO:

I have distributed to the Committee copies of Bill Draft Request (BDR) 34-459. This is an act relating to education. It contains most of the recommendations that came out of the Legislative Committee on Education during the interim and some additional items. The BDR was requested by me, but I am suggesting it be a Committee introduction. Mr. Pepper Sturm of the Research Division will give a brief overview of this BDR.

BILL DRAFT REQUEST 34-459: Revises provisions governing statewide system of accountability and revises other provisions governing education. (Later introduced as [Senate Bill 214](#).)

H. PEPPER STURM (Chief Deputy Research Director, Research Division, Legislative Counsel Bureau):

This BDR requires the Department of Education (DE) to establish a system to monitor school level testing discrepancies between the results of the norm-referenced tests versus the criterion-referenced tests (CRTs). It also requires the DE to investigate and audit any significant discrepancies and provide reports to the Legislative Committee on Education and the affected school district. The measure expands existing law to require the DE to notify charter schools about significant legislation affecting education. School and district plans would be required to include references to appropriate changes in curriculum and teaching methods, both generally and at the student subgroup level. The school and district improvement plans must include a budget sheet for the cost of carrying out the plan. The improvement plans must identify and promote programs, practices and strategies that have proven successful in improving pupil achievement, both generally and for each student subgroup.

The measure requires the DE to report any variations between statewide percentages of students who are considered proficient on the state's CRTs versus the percentage considered proficient by the state's score on the National Assessment of Educational Progress (NAEP). The report must also include an evaluation of the rigor of Nevada standards against the NAEP standards. The standards council must review the report and inform the Legislative Committee on Education of its findings. The measure also clarifies that the Regional Professional Development Program coordinator is hired by the regent's governing board and the coordinator's salary is set by that body as part of its budgeting process.

The BDR requires the DE to prescribe the parental involvement form to be used by each school to comply with existing parental involvement statutes. This is in the form of an accord with the pupils, parents and the school. The content of the form is specified.

The measure also creates a seven-member Advisory Commission on Highly Effective Academic Programs for School Improvement and Educational Excellence. The Legislative Committee on Education would set the policy direction for the Commission and its priorities, receive periodic reports and recommend effective programs and strategies, including lists of effective remedial programs. The Commission would review plans for improvement, evaluate grant requests, recommend a work plan and report periodically to the Interim Finance Committee (IFC) and the Legislative Committee on Education.

The IFC would approve the Commission's work plan and its recommendations for distribution and receive periodic reports. The DE would provide the administrative support for the Commission. The measure also requires the Legislative Committee on Education to recommend programs, practices and strategies that have proven effective in improving student achievement. The DE would be required to participate in any national study to benchmark Nevada's academic standards against the national NAEP standards, if such a study is available at no cost to the state.

CHAIR RAGGIO:

This bill would initially be referred to the Senate Committee on Human Resources and Education. It will be exempted by the Fiscal Analysis Division and then come to the Senate Committee on Finance.

SENATOR RHOADS MOVED FOR COMMITTEE INTRODUCTION OF BDR 34-459.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

CHAIR RAGGIO:

I would suggest that BDR S-1085 be introduced as a Committee bill. It would make an appropriation of \$100,000 each year from the state General Fund to the Western Folklife Center for support of the National Cowboy Poetry Gathering in Elko.

BILL DRAFT REQUEST S-1085: Makes appropriation to Western Folklife Center for support of National Cowboy Poetry Gathering in Elko, Nevada. (Later introduced as [Senate Bill 213](#).)

SENATOR BEERS MOVED TO INTRODUCE BDR S-1085.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Senator Rhoads is requesting Committee introduction of legislation for funding of \$2,546,775 from the state General Fund to establish a cost-share community incentive grant program. The purpose of the program is to reduce or eliminate hazardous wildfire fuels on private property and increase protection in Nevada communities at risk from wildfire by supporting implementation of community wildfire protection plans to be completed statewide under the auspices of the Nevada Fire Safety Council. The requested legislation would also provide operating funds to ensure continued existence of the Nevada Fire Safety Council.

SENATOR RHOADS MOVED FOR A COMMITTEE-SPONSORED BILL DRAFT REQUEST FOR THE ALLOCATION OF \$2,546,775 FROM THE STATE GENERAL FUND TO ESTABLISH A COST-SHARE COMMUNITY INCENTIVE GRANT PROGRAM.

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR COFFIN WAS ABSENT FOR THE VOTE.)

FRED WELDEN (Elko County):

I have worked with Ms. Judith Winzeler, the Executive Director of Nevada Humanities, since 1987 when I staffed an interim study of cultural resources in the state. One recommendation from that study was to provide funding for Nevada Humanities through the budget process. That recommendation was accepted and the Legislature has provided funding. In the 2003 Legislative Session, \$100,000 per year was provided for ongoing expenses associated with the Las Vegas office and \$100,000 was provided to assist in starting the Nevada Online Encyclopedia. Ms. Winzeler and Professor Howard Goldbaum are present to provide a report on the funding for the Nevada Online Encyclopedia and Nevada Humanities.

JUDITH WINZELER (Executive Director, Nevada Humanities):

We are here to ask for your support for the Nevada Online Encyclopedia. With me are Mr. Joseph N. Crowley, a member of the Board of Trustees of Nevada Humanities, and Professor Howard Goldbaum. Professor Goldbaum is professor of multimedia at the Reynolds School of Journalism. He is the graphics editor for this project. Professor Goldbaum is here to demonstrate the work he is doing on this project.

CHAIR RAGGIO:

This is a request for a bill draft. It is not a hearing on the matter. At this time, tell us what we need and there will be a hearing if the bill is introduced.

MS. WINZELER:

I have provided two handouts. One is a two-page report from Nevada Humanities briefly describing the project and its funding history ([Exhibit C](#)). The second handout is a report titled "Nevada Humanities, Nevada Online Encyclopedia, Project Description and 18 Month Timeline" ([Exhibit D](#)).

We are requesting funding of \$350,000 as a one-shot appropriation. This year we received \$350,000 in earmarked federal funds. We would like your consideration to provide a state match in that amount. The Nevada Online Encyclopedia is designed to be a free authoritative reference work on Nevada that is readily accessible over the Internet. It will consist primarily of locally-authored articles discussing history, geography, culture, economy, government and other relevant qualities that make up the State of Nevada. Not only will it be an educational benefit for students and teachers, it will also benefit economic development and tourism.

CHAIR RAGGIO:

Was there a state appropriation of \$100,000 in 2003?

MS. WINZELER:

That is right. That was matching funds. We certified the match last summer and are currently in the process of spending the \$100,000.

CHAIR RAGGIO:

Are you requesting \$350,000? Is there a need for that amount?

MS. WINZELER:

Yes, that is the amount of our request. The project will take three to five years to complete and cost a total of \$1.5 million. Page 5 of [Exhibit D](#) provides a time line for the next 18 months. We will probably have spent the \$350,000 in federal funds by the end of next summer and the state funds would pick up the next phase.

CHAIR RAGGIO:

Do you understand an action by this Committee to request a bill draft does not necessarily commit the Committee to the funding?

MS. WINZELER:

Yes.

SENATOR BEERS MOVED TO REQUEST A BILL DRAFT TO PROVIDE \$350,000 IN FUNDING FOR THE NEVADA ONLINE ENCYCLOPEDIA PROJECT.

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

A bill draft will be requested and a hearing will be scheduled. I appreciate your coming here prepared to make a full presentation, but that was not necessary today.

MR. GHIGGERI:

I have distributed to the Committee a progress report for the Senate Committee on Finance as of March 21, 2005 ([Exhibit E](#)). I have also provided a schedule for the Committee for the remainder of the week ([Exhibit F](#)).

The Budget Division has provided a memorandum dated March 14, 2005, ([Exhibit G](#), original is on file at the Research Library), transmitting additional recommended amendments to the *Executive Budget*. The amendments are primarily associated with the Department of Employment, Training and Rehabilitation and changes in federal funds.

CHAIR RAGGIO:

We will open the hearing on the budget for the Commission on Economic Development.

ECONOMIC DEVELOPMENT AND TOURISM

Commission on Economic Development – Budget Page ECON DEV
& TOURISM-1 (Volume II)
Budget Account 101-1526

ROBERT E. SHRIVER (Executive Director, Division of Economic Development, Commission on Economic Development):

With me are Commissioner Berlyn Miller, our Vice Chairman, and Ms. Margene Stenger, our Business Manager. You have received copies of a handout titled "Nevada Commission on Economic Development, Senate Finance Committee, Budget Hearing" ([Exhibit H](#), original is on file at the Research Library). This presents highlights of our budget and some of the accomplishments from the last biennium. The purpose of the Commission is to create a more prosperous economy in Nevada. We measure the agency's efforts in economic impact dollar volume. These numbers help our audience understand our activities and point out that economic development is a process not an event.

We are in the second year of a two-year statewide marketing and advertising effort with our partners, the Nevada Development Authority, the Economic Development Authority of Western Nevada, the Northern Nevada Development Authority and Sierra Pacific Power Company. This is an integrated marketing effort utilizing print, the Internet and public relations to deliver a statewide unified message in California, our targeted area. The campaign points out that Nevada is a viable alternative to the high cost of doing business in California. With a limited advertising budget of \$602,000, the statewide campaign has generated over \$10 million in leveraged media. Copies of the advertisements are included in [Exhibit H](#). Instead of featuring the quality of life with pictures of golf courses and sunsets, these advertisements are called "worst-case scenario." The advertisements are directed at midsized California firms telling them that if they stay in California much longer, they will be out of business.

Last year, we instituted another advertising campaign which focused on the cost of workers' compensation in California, the family medical leave act and utility costs. These are items that hit the bottom line over which the businesses have no control. Included in [Exhibit H](#) is a listing of all companies that located to Nevada in fiscal year (FY) 2004.

CHAIR RAGGIO:

Staff has provided a list of the companies that have come to Nevada as a result of various incentives. The list indicates many of them did not stay or meet the necessary requirements for the special incentive program. Why is that? We are getting the companies to come to Nevada, but they are not staying or meeting

the requirements for the incentives, such as minimum number of employees. Are we getting quality companies to come to Nevada?

BERLYN MILLER (Vice Chairman, Commission on Economic Development):

We are selective about the companies we choose to offer incentives. The requirement we look at most is the wage level of their employees. Many of the companies coming in are below our statewide average wage. Those are not the kinds of companies nor the kinds of jobs for which we want to provide incentives. We are trying to get good quality companies with good paying jobs that require skilled workers.

CHAIR RAGGIO:

This requires further analysis. The list from 1996 to the present indicates many of the companies that qualified for the incentives either withdrew or did not meet the requirements after being given the incentives. We are being asked to appropriate over \$10 million. Is this going to be worthwhile?

MR. SHRIVER:

We offer incentives to some companies that choose not to come to Nevada. There are also mergers and acquisitions that change the face of the companies. We have clawback provisions in the incentive program that if the company does not remain in Nevada for five years, they are responsible for not only the amount of tax benefit they received but would also have a penalty, and that is enforced. Most of the companies have met that requirement or did not take advantage of it prior to coming to Nevada. The companies that left prior to fulfilling the terms of the contract have reimbursed local governments for the amount of tax benefit they received.

CHAIR RAGGIO:

In his State of the State message, the Governor indicated he was proposing \$9 million in new grants to the Nevada Development Authority (NDA) and the Economic Development Authority of Western Nevada (EDAWN), in addition to \$1 million for the development of tourism and economic development in rural areas. This budget indicates \$5 million to each of the development authorities. How is \$1 million going to get to the rural development authorities? Is this in lieu of other provisions in the budget? This needs to be clarified.

MR. MILLER:

It is my understanding they started with \$9 million and \$1 million. We currently have approximately \$1 million over the biennium that goes to EDAWN and NDA. That would remain in our budget with \$10 million going to NDA and EDAWN and \$1 million to the rural areas.

CHAIR RAGGIO:

If we give \$1 million to EDAWN and NDA, who is going to decide the \$1 million that goes to the rural areas?

MR. MILLER:

The Commission will make that decision in consultation with the various rural economic development agencies.

CHAIR RAGGIO:

Why do we not give EDAWN and NDA \$9 million and give \$1 million for the rural areas to the Commission?

MR. MILLER:

That was a decision the Governor and his staff made. Rather than funding \$9 million and \$1 million, in addition to \$1 million we normally give EDAWN and NDA, they decided to give EDAWN and NDA \$10 million and use \$1 million for the rural areas.

CHAIR RAGGIO:

Is \$9 million, in some form, going to NDA and EDAWN with \$1 million earmarked for the rural programs? Is that what we are talking about?

MR. MILLER:

We are talking about \$10 million and \$1 million.

CHAIR RAGGIO:

The Governor said \$9 million and \$1 million. Where does the other \$1 million come from?

LISA FOSTER (Deputy Chief of Staff, Office of the Governor):

The intent of the Governor was to take \$10 million and dedicate \$1 million of that to the rural areas through the grant program of the Commission on Economic Development. The \$9 million would be divided between NDA and EDAWN over the biennium.

CHAIR RAGGIO:

In what proportion would it be divided?

Ms. FOSTER:

We are looking at 35 percent to EDAWN and 65 percent to NDA.

CHAIR RAGGIO:

This is the first time it has been clarified. Is this in addition to what is in the budgets for these development authorities and for the rurals?

Ms. FOSTER:

Yes, it is a new infusion of money the Governor wants to invest in economic development efforts statewide.

CHAIR RAGGIO:

We would like the Budget Division to clarify this so we are not looking at duplicate efforts. By Wednesday of this week, we would like a clear roadmap or chart outlining the monies that are to be available in all of the budgets for these programs.

What kind of criteria, if any, is being identified or imposed upon this money?

Ms. FOSTER:

The idea is to give NDA and EDAWN money to bolster and strengthen their efforts in addition to what their members are already contributing. They have been immensely successful in their efforts to bring businesses to the urban areas of Nevada. Because the rural areas have a more unique infrastructure and the grant program can use more money, the idea was to give the grant program an additional \$1 million.

CHAIR RAGGIO:

Is that the same money identified in Senate Bill (S.B.) 158?

SENATE BILL 158: Establishes fund to provide grants for economic development in rural areas and blighted areas of larger counties. (BDR 18-1140)

MR. SHRIVER:

That is not. I would defer to Senator Titus who is the primary sponsor of that bill. I believe the intent is to set up a separate fund focused toward rural community projects as well as those in urban centers in blighted communities.

CHAIR RAGGIO:

Is that separate and apart from what we are talking about?

MR. SHRIVER:

Absolutely.

CHAIR RAGGIO:

Who will be entitled to apply for these funds from the development authorities?

MS. FOSTER:

We have representatives from NDA and EDawn here, including the Mayor of the City of Reno. They could speak better about their specific processes.

CHAIR RAGGIO:

We are interested in the plan the development authorities will have for utilization of these funds with the understanding, as indicated by the Governor's Office, that \$3.5 million is for EDawn and \$6.5 million is for NDA.

DONALD D. SNYDER (Chairman, Nevada Development Authority):

I am here today as Chairman of the Nevada Development Authority. I am also the President of Boyd Gaming Corporation. I am retiring at the end of this month after 36 years in the business world. I am going to stay involved through things like the NDA. Over the past 36 years, I had the opportunity to have three diverse careers that give me a perspective on economic development and diversification that I think can be helpful to this Committee. I spent 22 years as a banker. My banking career brought me to Nevada in 1987 as the Chairman and CEO of First Interstate Bank. I also had a chance to work with other states, particularly California. During a portion of that time, I had responsibility for our banking activities in Utah. I also worked internationally, for a number of years, dealing with issues of economic development and diversification.

After 22 years in the banking industry, I started a couple of small businesses in southern Nevada and cofounded BankWest of Nevada. I was active in developing the Fremont Street Experience in downtown Las Vegas. For the last nine years I have worked in the gaming industry. I have been president of Boyd Gaming Corporation for the last eight years. During the last 18 months I have been chairman of the NDA.

The business world has given me an opportunity to experience many economic environments. I will continue to be involved in economic development and diversification in Nevada and particularly in southern Nevada. I am actively involved with the Performing Arts Center in Las Vegas. That project is driven by a respect for the arts and what culture does for a community and also what it

does for economic development and diversification. We cannot attract the right types of jobs and companies into a region like Las Vegas unless we have a cultural infrastructure. We have grown so rapidly that we need to catch up when it comes to the cultural infrastructure.

The rental car fee passed by the Legislature in the 20th Special Session, which has now been approved for implementation by the Clark County Commission, will provide a tremendous public sector contribution to the Performing Arts Center. We are pleased to announce that this past week we received a \$50 million gift to help develop the Performing Arts Center. This is the largest private sector gift in the history of the State of Nevada.

All the research that has been done, including some research we had done by Applied Analysis, shows that more diverse economies are healthier and more resilient in the long run. Nevada is the least diversified state in the country. We have been a bit of an anomaly in terms of the economic vitality we have had as a state because we have a core industry that has grown so rapidly, has been so resilient, and has had the strength to carry the rest of the economy. It is important we maintain the health and vitality of our core industry. Lack of diversity means higher risk. Indian gaming in California is only a small part of the expansion of gaming that has happened around the country. Gaming, tourism and competition for conventions make the competitive world much different than it ever has been. The threat of terrorist attacks will also have an impact on our industry.

We have an obligation and an opportunity to take a more strategic approach to economic development and diversification in Nevada. We need to take a long-term strategic view of where we want this state to be 20 years from now. This funding is oriented toward helping us take a more strategic approach and do some fundamental research about how we can best diversify this economy.

CHAIR RAGGIO:

I think we all agree that diversification is an important mission. It is our understanding this funding would not be based upon any matching requirement. If a match is not required, will it attract other funding? How will you utilize this funding and what kind of criteria will you adopt? This same question should be asked of EDawn.

MR. SNYDER:

This is all about marketing. These funds are not used to provide incentives to businesses. The funds are used to help us attract businesses in a competitive environment.

CHAIR RAGGIO:

How will you utilize the money?

MR. SNYDER:

A bill draft has been requested that would create an interim committee on economic development diversification to develop a long-term strategic plan. This money will enable that process to move forward. More importantly, it would allow us to go after businesses. Economic development and diversification are competitive. We need more resources if we are going to attract these businesses. The money would be used to hire people who cannot only answer the telephone, but can proactively go out and seek the businesses. We have

done a lot at NDA to focus on the kind of businesses and industries that make sense for Nevada in terms of jobs, fit with the higher education systems and what the economy needs. We want to take a more targeted approach. We are in a reactive mode when it comes to attracting business today because we are handicapped by a lack of resources. We are underfunded compared to every region or state with which we do business.

CHAIR RAGGIO:

Is this going to be for advertising contracts?

MR. SNYDER:

It would be used for advertising and for hiring staff that would allow us to go after the business. This is one of the only areas I know that actually creates a return on the type of invested dollars we receive. We have statistics which show we attracted 60 new companies as a result of the NDA efforts. These companies created 1,877 jobs, the average annual wage was over \$47,000 and the annual payroll was \$84 million. The employee economic impact measured by good, solid research was \$319 million which generated \$10.4 million in state and local tax revenue. For every state and local public sector dollar that was invested in creating those jobs, there was a return of \$25.80.

CHAIR RAGGIO:

Since you have been apprised this money may be forthcoming, do each of the development authorities have some proposed budget for the utilization of these funds?

KENNETH G. LADD (Executive Committee Member, Nevada Development Authority):

Absolutely. We have looked at a plan and the staff requirements for that plan. Two of our major competitors are Phoenix and Salt Lake City. The Phoenix budget for a similar function exceeds \$6 million annually. That budget is funded 50 percent by public money and 50 percent by private money. The budget at NDA is about \$1.2 million a year. We are at a competitive disadvantage with a Phoenix or a Salt Lake City.

CHAIR RAGGIO:

This would be a two-year proposition if authorized. It is important that each of these authorities present a budget of their operation and the utilization of this additional funding. We would like to have that as soon as possible.

MR. LADD:

We are prepared to do that. We will have it by the end of the week.

MR. SNYDER:

We believe strongly in presenting a budget and being held accountable, both in terms of how the money is spent and the kind of results we get out of it in attracting the right type of jobs.

CHAIR RAGGIO:

That would be important. The other thing you should remember is this could be onetime money. If you build a lot of positions into it, you need to know that two years from now we will be looking at this again. There is no assurance the money will continue.

MR. SNYDER:

We are mindful of that. That is why we think it is important that an interim committee look at where we need to go, strategically, and what resources are necessary from both the private and public sectors and build a long-term strategy. We will return and talk to you about the extent to which there is a need for sustainable funding.

CHUCK ALVEY (President and CEO, Economic Development Authority of Western Nevada):

In response to your questions about how we would utilize the funding, EDawn would do more of what we have been doing but do it better. We would have more people doing more customer service and more targeted recruiting. We have worked closely with NDA, but we have different markets and different styles. One of our programs is retention and expansion of existing companies.

Mr. Robert Cashell, Mayor of Reno, is present. He was chairman of the first Commission on Economic Development.

ROBERT CASHELL (Mayor, City of Reno):

These development agencies, EDawn and NDA, have been instrumental in bringing businesses to the rural counties. Recently, EDawn worked with us to bring in Cabela's. Cabela's is a large outdoor retail firm that will bring in three million to four million people a year. They pay their employees a better-than-average wage. The EDawn was also instrumental in keeping General Motors in the area. Not only does EDawn go out and recruit new businesses, they keep in touch with them and work with them to make sure they stay around.

CHAIR RAGGIO:

You heard our request for a budget on both the existing appropriations and this additional funding. We need to have that as soon as possible. Again, to both of the development authorities and to the Governor's Office, we would like the specifications as to how the appropriations would be made or how the allocation for the \$1 million will be made to the rural counties. Whatever action is taken, it will be necessary to have an accounting to the Legislature as is presently the situation under the existing appropriations.

SENATOR COFFIN:

As I look at the list of new and expanded companies, I am surprised that Storey County has only one project. I thought Storey County was making real efforts to do better with the industrial area. Is there some economic reason people are not moving up here, in general, and Storey County in particular?

MR. SHRIVER:

We have had good success around the urban centers of Reno and Carson City and Lyon County. Storey County is just now developing the Tahoe-Reno Industrial Center. They recently announced the new regional Wal-Mart Distribution Center. Fernley, in Lyon County, has companies such as United Parcel Service and Trex Company, Inc. A trailer manufacturer that will eventually create 200 jobs recently located in Winnemucca. The rural areas have infrastructure issues relative to industrial parks. There are also labor force issues. Competition with the minerals extraction industry for jobs presents a problem for many companies. The rural areas would be more attractive to

smaller companies that come from rural settings. For every ten companies we get in an urban setting, we might get one in a rural setting.

SENATOR COFFIN:

We are aware of the fact that Governor Schwarzenegger has made a strong personal appeal to keep people in California. He may have deterred some people from moving.

MR. ALVEY:

The impact in California is not changing. The customers we are talking to say their Governor has the right ideas, but he has to fight the legislature and petition initiatives. The companies we are talking to are still interested. Most of the big companies we are talking to are looking at Storey and Lyon Counties and, in some cases, Douglas County. In the urban areas we are looking at companies like the personal computer doctors with 40 software engineers. We are busy in the rural areas and have great partnerships with them.

SENATOR CEGAVSKE:

I have questions about the legislative audit. I asked staff if we received the plan the Commission was to submit in 2004 with a follow-up in November, and staff was going to check on that. I also wonder where we are on the 14 recommendations for improvement in the legislative audit. You are asking for a lot of money today and we have concerns about your procedures and policies.

MR. SHRIVER:

Most of the 14 recommendations have already been accomplished with the exception of a bill draft request. The bill draft request would address a carryover situation on funds we raise outside for our films, global trade, trade missions and our production directory which is difficult to balance with the fiscal year.

SENATOR CEGAVSKE:

Is that the \$75,000 that was carried forward?

MR. SHRIVER:

In the 2003 Legislative Session, we got rid of that balance forward. It created a situation, which the audit pointed out, we needed to correct.

SENATOR CEGAVSKE:

What is the status of the training on laws and policies?

MR. SHRIVER:

Those have all been implemented. When the audit was first done, we hired Mr. John Crossley, the former Director of the Legislative Counsel Bureau. We went through the whole scenario and put together a series of checks and balances required by the audit team. We were given approval at our audit hearing in February that we complied with all their requests.

SENATOR CEGAVSKE:

I do not remember seeing that particular report, so I would appreciate receiving another copy from staff.

SENATOR BEERS:

I understand the current \$1 million is matched. Will that continue to be the case? Will there be a matching requirement on the additional appropriation? We

can get that information from you when you provide the other material we have requested.

Ms. FOSTER:

The way we understand this would work, NDA and EDAWN would be giving up \$1 million already in the grant program and would get the \$10 million for a \$9 million increase. The \$1 million that is in the grant program would remain in the grant program. The \$1 million would require a match. The \$9 million going to NDA and EDAWN would not require a match.

CHAIR RAGGIO:

Please be as specific as you can when you submit the plan. There may be some misunderstanding about this and we need to clear it up.

SENATOR MATHEWS:

The legislative audit found contracts were awarded without the appropriate solicitation for as much as \$500,000. Has that been corrected?

MR. SHRIVER:

Yes, it has. The contracts were for advertising for our film office. We thought we had done it correctly and we had not.

SENATOR MATHEWS:

We probably got the audit report and your replies, but we get a lot of material.

MR. SHRIVER:

As far as I know, other than the public hearing in February, I have not received the normal public notice.

CHAIR RAGGIO:

I will ask our audit committee to review that. If we have questions, we will let you know.

Please tell us about the incentives for new businesses. We have one advantage other states do not have in that we do not have a state income tax either personal or business. In the 20th Special Session we provided an exemption from the payroll tax on gross wages in certain situations. Has that been effective?

MR. SHRIVER:

As far as I know, it has.

CHAIR RAGGIO:

The exemption was 50 percent of the tax. What other incentives are there in addition to the sales tax?

MR. SHRIVER:

An exemption is provided for the personal property tax which is up to 50 percent and up to 10 years. All but 2 percent of the state constitutionally-mandated sales tax portion is deferred. This requires the company to post a bond in the amount of the tax owed. In certain economic times it is cheaper to pay the tax initially than try to finance it on a bond issue. Many companies do not take advantage of that deferral.

We have a training program called Train Employees Now (TEN). In the 2003 Legislative Session, the Legislature authorized using part of the career enhancement program to upgrade skills of existing workers. We have been allocated \$500,000 a year by the Department of Employment, Training and Rehabilitation in their Career Enhancement Program. We now have a \$1 million fund for training. The Career Enhancement Program monies are used primarily for expansion of companies that have been in Nevada and have paid into the fund in Nevada. The TEN program is used as an incentive for new companies.

CHAIR RAGGIO:

Some of these incentives require both a wage requirement and a capital investment requirement. How capable are you in monitoring those requirements?

MR. SHRIVER:

I think we do very well. We prescreen them, and the Commission has required the development authorities to make the presentation of the company in their region. We also run an econometric model to ensure when paybacks occur so local governments and the state understand what they are giving up and what they get in return.

CHAIR RAGGIO:

How do you monitor whether they make the capital investment or that they maintain the minimum number of employees or the minimum wage requirement?

MR. SHRIVER:

Every incentive granted by the Commission on Economic Development is audited by the Department of Taxation. We guarantee to the company, when they come before us, that they will be audited. The biggest discrepancy usually is in whether they meet the required number of employees. That is hard to project. We try to counsel the company applicant to ensure they are conservative in their approach on that area. One area where we do not compromise is the wage. This is a discriminatory program, and it is not for every company. It is for the elite, those that return the investment back to Nevada.

Nevada Film Office – Budget Page ECON DEV & TOURISM-7 (Volume II)
Budget Account 101-1527

CHARLES GEOCARIS (Director, Division of Motion Pictures, Commission on Economic Development):

Ms. Robin Holabird, our deputy director, is handing out the *2005 Nevada Production Directory* ([Exhibit I](#), original is on file at the Research Library). This directory is our “calling card” to the industry. It lists everything available in Nevada used by film companies including camera operators, location managers, hair and makeup artists and production vendors that provide services such as sound stages, lighting and facilities. The directory is shipped all over the world to attract business. The purpose of the Nevada Film Office is to promote and attract motion pictures, television series, commercials, music videos and other productions.

CHAIR RAGGIO:

How often is the directory updated?

MR. GEOCARIS:

It is updated daily on the Web site. We provide a daily opportunity for people to change information and for new companies to update the information in the directory.

CHAIR RAGGIO:

What percentage of your revenue comes from the productions?

MR. GEOCARIS:

A small percentage of our revenue comes from the productions. Since we redesigned it in 1998, the directory has completely paid for itself by the advertisements within it. Last year, the productions brought \$116 million into the local economy. This is our fifth year of bringing in over \$100 million.

CHAIR RAGGIO:

Have you collected about \$108,000 from all sources in FY 2005?

MR. GEOCARIS:

That is correct.

CHAIR RAGGIO:

In the budget you are projecting only \$87,000 each year as revenue. Why is there going to be a decrease?

MR. GEOCARIS:

I think it was the cost of the directory itself with advertising and printing costs.

CHAIR RAGGIO:

Do you have that expenditure every year?

MR. SHRIVER:

Last year, we did not have the expenditures to offset the increase, so the Budget Division recommended we go back to \$87,000.

CHAIR RAGGIO:

If you collected \$108,000 already this year, are you going to collect less next year?

MR. SHRIVER:

That is probably about where we would be.

CHAIR RAGGIO:

We need to make a revision here if that is the case. Will you look at this and get back to us?

MR. SHRIVER:

We will do that.

SENATOR BEERS:

I was curious about the revenue decrease as well. You had requested \$112,000 and it is \$87,000 in the *Executive Budget*. There is another line in the budget called Transfer Intra-agency Cost Allocation. Please tell us what that revenue stream is.

SENATOR TITUS:

We should get more movies in Nevada. I have a brief called Hollywood and the Heartlands State Film Incentives that tells about all the things states are doing to attract film companies because it is getting so competitive. We are losing the film companies to Canada where the taxes are lower and they are given more opportunities. Some states have exempted lodging taxes for film crews staying at hotels for extended periods. Have we thought about doing that? Some of the additional tax incentives provided by states include a sales tax break on production equipment and there are some income tax breaks which would not apply to us. Do we have anything like that under consideration?

MR. SHRIVER:

We currently have a statute that allows us to exempt the lodging tax after 30 days for film production companies. There has been some discussion of lowering that to 15 days.

SENATOR TITUS:

We might want to consider that many films are done in 30 days.

ROBIN HOLABIRD (Deputy Director, Division of Motion Pictures, Commission on Economic Development):

There are some incentives that will probably be introduced this year through the Office of the Lieutenant Governor. We have monitored what every state does and what can be done in our state. The incentives would include some form of sales tax rebate on purchases of production-related equipment. An exemption of our fuel tax for production vehicles would also be a realistic incentive for Nevada.

SENATOR TITUS:

I am glad to hear that. This document says Louisiana, New Mexico and Illinois have some major incentives. Other states like North Carolina have been especially successful. I would like to see us move in that direction. Please let me know where the incentives are going.

SENATOR COFFIN:

My son does location scouting out of Los Angeles for some productions and electrical work on others. He told me the Nevada Production Directory, [Exhibit I](#), is popular in the Los Angeles area. You are to be complimented on the directory.

I am cognizant of the fact the film companies are moving some of their productions to Canada. The Canadian incentive is lower salaries in addition to the lower taxes. I do not think Canada will be a long-term problem.

MR. GEOCARIS:

It is very competitive. About 20 or 30 years ago, Canada put in place some incentives that built up that industry and began taking away approximately \$10 billion annually in business from the United States in film production revenue. It is not just Canada now. It is the United Kingdom, Australia and even Eastern Europe. We are in competition with over 300 film offices worldwide. Currently, we have been helped by the fact that the monetary exchange rate situation with Canada has eased up. We have also been lobbying as an organization called FILM US to provide more incentives on the federal level in Washington, D.C. The Nevada Film Office is a founding member of FILM US. We have been successful with a new act that has just been passed and signed

by the President in October which will help independent feature films stay in the United States.

SENATOR BEERS:

I am still confused about why the miscellaneous revenue has dropped from your request of \$112,000 down to \$87,000.

JOHN P. COMEAUX (Director, Department of Administration):

I will get back to you on that.

Rural Community Development – Budget Page ECON DEV & TOURISM-12
(Volume II)
Budget Account 101-1528

MR. SHRIVER:

Budget account 101-1528 is funded primarily through the Department of Housing and Urban Development's Community Development Block Grant (CDBG) program.

CHAIR RAGGIO:

It had been suggested the CDBG program be decreased or discontinued. What is the status of the program?

MR. SHRIVER:

The funding level has been restored or at least is considered to be restored. They have no appetite in Congress to cut the funding for CDBG at this point.

CARL DAHLEN (Director, Rural Community and Economic Development, Commission on Economic Development):

I will go over the highlights of my handout titled "Nevada Commission on Economic Development, Rural Community Development – Budget Presentation Budget Account 1528" dated March 21, 2005 ([Exhibit J](#)). We provide administration for the CDBG program on behalf of 26 small cities and counties throughout Nevada. The purpose of CDBG is to develop viable communities with sustainable economies to reduce their dependence on support from the larger communities. This Committee has endorsed these activities since 1981 enabling more than \$49 million to be invested in rural communities and economic development projects. This money has provided a much-needed match for these communities. In the last biennium, more than \$63 has gone into projects benefiting rural cities and counties out of each dollar you have invested to make this program a reality.

The *Executive Budget* calls for the elimination of CDBG; however, we have received word that both the U. S. Senate and the House of Representatives have added CDBG back into the budget for federal fiscal year (FFY) 2006. The state fiscal year is a year ahead of the federal program year. The coming year has already been funded by Congress and those funds are in place. By the following federal fiscal year, we expect Congress will continue to support the program.

We have provided a revision to budget account 101-1528 that reflects a smaller grant than was anticipated when we built the budget last summer. The revision reflects the amount of funding announced for the Nevada State CDBG program

in January. It is our request that you consider this revision as our agency request.

CHAIR RAGGIO:

Is the amount you are requesting greater than the 2-percent match you are required to have?

MR. DAHLEN:

Yes it is.

CHAIR RAGGIO:

Why are we doing that?

MR. DAHLEN:

The cost of managing and operating the program is in excess of what the federal government allows plus the 2 percent. We have five people in this budget account. That cost reflects the administration cost.

CHAIR RAGGIO:

How do you calculate the leveraged funds from other sources in your performance indicators?

MR. DAHLEN:

The cities and counties report back to us on the other grants they are able to put into these projects. It is primarily the U. S. Department of Agriculture Rural Development, some of it is economic development administration money and sometimes it is a local match they have been able to put together.

Procurement Outreach Program – Budget Page ECON DEV & TOURISM-17
(Volume II)

Budget Account 101-4867

MR. SHRIVER:

The objective of the Procurement Outreach Program is to increase the flow of federal, state and local contracts to Nevada businesses, providing the necessary training, technical assistance and hands-on tutoring.

RICK HORN (Director, Procurement Outreach Program, Division of Economic Development, Commission on Economic Development):

This program started in 1986 with funding as a match from the federal government. We concentrated primarily on federal contracts. Since then, it has evolved into government contracts at all levels. With the supplier diversity programs that are going on in the commercial marketplace, we have expanded the program to include commercial marketplaces. The hotel and casino industries work closely with us. In the last two years, we have reported \$1.27 billion in contract awards for the Nevada companies that are in our program. There are about 850 companies active in our program between northern and southern Nevada. We provide them the bid documents which they get downloaded to their e-mail every day. We also do marketing activities for the companies and provide technical assistance with their contracts. The amount we are requesting has decreased because we have a larger allocation of money from the federal government for our program. The department that monitors our programs says we have one of the most successful programs in the nation.

CHAIR RAGGIO:

The performance indicators in your budget state that in FY 2004 your client firms received 586 contracts with a dollar value of over \$526 million and 12,709 jobs that were gained or retained. The expanded program narrative says there were 736 contracts with a dollar value of \$420 million and 10,000 jobs. Can you explain that discrepancy?

MR. SHRIVER:

We will have to get back to you regarding that discrepancy. The difficulty in getting dollar amounts is there is no requirement they be reported by the company.

CHAIR RAGGIO:

Most non-personnel expenses in your budget are paid out of a "defense grant" category. Is there a reason why those expenses are not recorded in the standard categories?

At this time we will change the agenda order to accommodate those who want to appear before the Committee on the senate bills.

We will open the hearing on Senate Bill (S.B.) 90.

SENATE BILL 90: Makes supplemental appropriation to Department of Human Resources for unanticipated operating expenses for Fiscal Year 2004-2005 at emergency hospital annex at Desert Regional Center and for unanticipated shortfall in revenue for Fiscal Year 2004-2005 for rural clinics. (BDR S-1191)

PETER BRAND (Administrative Service Officer, Southern Nevada Adult Mental Health Services, Division of Mental Health and Developmental Services, Department of Human Resources):

With me is Dr. Jonna Trigs, Clinic Director for Southern Nevada Adult Mental Health Services. I am here to provide testimony on S.B. 90 which makes a supplemental appropriation for the 28-bed hospital annex in Building 1300 on the campus of Desert Regional Center. In July and August of 2004, the agency received \$939,307 from three different sources. We received \$100,000 from the Division of Emergency Management to pay operating costs for WestCare. The agency received \$339,307 from the Board of Examiners' emergency account to pay WestCare another \$136,000 and \$203,307 to pay start-up costs for the 28-bed annex in Building 1300. Finally, we received \$500,000 from the Interim Finance Committee Contingency Fund to fund Building 1300. Our original projection for the cost of Building 1300 was about \$3,670,000, leaving a current amount of about \$2,731,000 after deducting the \$939,000 we have already received.

My purpose today is to update the Committee on the status of this project. Our analysis of Building 1300 actual and projected expenses indicates a current need of \$2,410,000. This is \$321,000 less than the amount in S.B. 90. Expenses for operating Building 1300 are less than originally projected because of savings in personnel services, operating costs and professional contracts. In addition, we have looked at our overall budget for savings and have contributed those savings to reduce our request. A budget for the 2006-2007 biennium for the continuation of Building 1300 has been submitted as part of the *Executive Budget* for Southern Nevada Adult Mental Health Services.

CHAIR RAGGIO:

We have a copy of the letter of March 17, 2005, from Dr. Carlos Brandenburg, Administrator of the Division of Mental Health and Developmental Services ([Exhibit K](#)). Are the revisions correct as set forth in this letter?

CARLOS BRANDENBURG, Ph.D. (Administrator, Division of Mental Health and Developmental Services, Department of Human Resources):

Yes, those are the correct amounts.

CHAIR RAGGIO:

The request is for \$2,410,118. What about the shortfall in revenue for rural clinics?

DR. BRANDENBURG:

That is the \$483,315. Those are the same numbers.

CHAIR RAGGIO:

There being no further comments or testimony on [S.B. 90](#), the hearing on [S.B. 90](#) is closed. Would staff please prepare the proposed amendment to [S.B. 90](#)? We will open the hearing on [S.B. 96](#).

[SENATE BILL 96](#): Makes appropriation to Office of Governor for contractor to update State's Energy Assurance Plan. (BDR S-1206)

RICHARD BURDETTE (Director, Nevada State Office of Energy):

With me are Mr. James Walker and Ms. Suzanne Brunette from the Nevada State Office of Energy. We are here to support [S.B. 96](#) which is a onetime appropriation of \$125,000 to support the development of an upgraded Nevada State Energy Emergency Plan in response to new guidelines issued by the Department of Energy, the Office of Electric Energy Assurance and the National Association of State Energy Officials.

CHAIR RAGGIO:

Would this be updating the state's Energy Assurance Plan?

MR. BURDETTE:

Yes.

CHAIR RAGGIO:

Why is \$125,000 necessary to do that?

MR. BURDETTE:

We made inquiries of a number of other states that have responded to the guidelines issued in June 2004. The amount of money varied by state. Most states deal with the three types of energy we do, i.e., electricity, natural gas and petroleum fuels. The exact amount is not known.

CHAIR RAGGIO:

Is some federal funding going to be available for this?

MR. BURDETTE:

Yes, we anticipate some federal funding will be available.

CHAIR RAGGIO:

When will we know that? We may only be required to provide matching funds.

MR. BURDETTE:

Absolutely. I have estimated that if it is a 25-percent match, the amount of money we would need to appropriate from the state would be approximately \$31,250.

CHAIR RAGGIO:

That would be a 25-percent match?

MR. BURDETTE:

Yes.

CHAIR RAGGIO:

You indicated the \$125,000 number is a guesstimate based on your discussions with other states.

MR. BURDETTE:

Yes, it is. Until we bid the contract, we will not know what the cost will be. We have not been one of the first states to do this, so we would have saved some money by not going first.

CHAIR RAGGIO:

These are guidelines. Are they a federal requirement?

MR. BURDETTE:

They are not a federal requirement. They were issued by the Department of Energy's Office of Electric Energy Assurance. They are guidelines and we do not have to respond to them.

CHAIR RAGGIO:

What is the reason for doing it at this time if it is not a requirement?

MR. BURDETTE:

There is not another state in the union that is as vulnerable to interference or concern about interference as we are. The State of Nevada is heavily dependent on tourist dollars. Nevada was significantly affected by the tragedy of September 11, 2001.

CHAIR RAGGIO:

How would the existence of a plan help?

MR. BURDETTE:

In order to get to and from Nevada, people have to travel. We need to have an energy emergency plan that has fuels in place and identifies where fuels are stored. The plan should identify what our critical points are in terms of the infrastructure for natural gas and electricity so we can protect those points. We need to support Nevada's Division of Emergency Management on the allocation of fuels through their system. People who are going to conduct those operations need to be trained. There are two parts to the plan. One part is preparation for an emergency and the second part is actual implementation of the emergency response. We need training and support in both of these areas. It is entirely possible this will not be that expensive, but it could be.

SENATOR TITUS:

What impact does the rise in the price of gas have on our economy? Are you looking at that?

MR. BURDETTE:

Yes, we are. We are concerned about that. A large number of the people who travel here come by vehicle from California and Arizona. In the last year, we have had seven interruptions of our petroleum fuels, six of which were in southern Nevada. Each one of those interruptions has had anywhere from a minor to a fairly substantial cost impact. There are also issues of how much storage or tankage we have and how many different places we can bring in gasoline.

SENATOR TITUS:

Do we have just one pipeline? When that gets interrupted, we are in trouble.

MR. BURDETTE:

In essence, it is one pipeline. It is actually two, but they are side by side.

SENATOR TITUS:

Have you thought about doing some kind of public/private partnership with bonding from or a guarantee by the state to get someone to build another pipeline?

MR. BURDETTE:

We have negotiations ongoing currently with another source that could supply tens of thousands of barrels a day. Pipelines are quite expensive and they generally have a payback of 30 years. Many investors would rather not invest in a pipeline or even in a petroleum refinery if it is going to take 30 years for the payback. We have other assets and resources we can use to bring in additional fuel and we are negotiating for that.

SENATOR TITUS:

Could I get a report or some information about that?

MR. BURDETTE:

The discussions are proprietary at the moment, but I would be happy to share them with you.

SENATOR COFFIN:

This is an issue I have been working on for five or six years. The 8-inch pipeline is more than 40-years-old and Kinder Morgan Energy Partners, L.P. does not have the original weld information because CALNEV did not have it when they purchased it. The 14-inch pipeline is still new, but a third line is needed. We were promised a third line and we should talk to them about that. Because the two pipelines are parallel, whatever causes one line to go out will also affect the other line. Carson City, Reno and Sparks are all held hostage by one line which could go at any time. In Las Vegas, we could divert fuel from one line to the other if necessary. The last events we had were during the mud slides this winter. They were not breakages, but the pipes were undermined and the flows were shut off. At the time of the shutdown, we were down to three or four days of fuel supply.

Kinder Morgan Energy Partners, L.P. said it was not their fault because the oil companies did not order enough fuel. In the 2001 Legislative Session we sponsored a bill to try to alleviate this situation. We found that the pipeline company did not want any interference. I think we need to work with the congressional delegation on this dilemma that states have when they are held hostage by pipeline companies over which they have no control.

MR. BURDETTE:

I agree with your analysis and assessment. We have had two meetings in the Office of the Governor with Kinder Morgan Energy Partners, L.P. Both times, they focused on what they can and cannot do and what they will and will not do. I think it is fair to say they remain interested in responding. They believe they can increase capacity by increasing pump horsepower. I think our problem is a reliability problem. It is not a volume problem. Since 2001, there has been a substantial increase in tankage, including a substantial increase in jet fuel. We need additional sources, either by rail, truck or some other vehicle or another pipeline. We probably could serve northern Nevada by rail or truck in an emergency or a period of interruption, but we cannot do that in Las Vegas.

SENATOR COFFIN:

Transporting by truck is dangerous. Before the pipeline was built, there were many serious accidents involving gasoline trucks on the road between Los Angeles and Las Vegas. Arizona has similar problems. A solution for states should be pursued through the federal government.

MR. BURDETTE:

We work closely with the governor's office in Arizona. I testified with my counterparts from Arizona and California last year in Las Vegas. I can assure you this is a priority of the Governor as it is in the energy plan we submitted earlier this year. It is not an area where the state has direct control. Even the federal government has limited control over supply. Few people are prepared to accept the price risk of 60,000 barrels of gasoline going from \$2.25 a gallon to \$1.95 a gallon. That would be a huge loss of income. Storage alone will not solve this problem. By the 2007 Legislative Session, we may provide incentives for maintaining storage. It is not a trivial problem and we are working on it.

SENATOR RHOADS:

In your opening statement, you did not mention anything about wind or thermal as a source of energy. In my isolated valley in rural Nevada, they are building a geothermal plant. Why did you not mention those two sources?

MR. BURDETTE:

Our renewables are our hedge against prices and against a coordinated attack against us. They are diverse and they do not require fuel. The principal concern is making sure the electricity gets to the market. I am a supporter of renewables. Our primary concern is petroleum fuel because the Public Utilities Commission and the utilities are helping us in the other areas.

CHAIR RAGGIO:

If there is no further testimony on S.B. 96, we will return to the budget hearings.

RAY PEARSON (Commissioner, Commission on Tourism):

I own the Winners Hotel and Casino and Legends Casino in Winnemucca. In my spare time, I am the rural commissioner for the Nevada Commission on Tourism. I am here today to request you give this budget every consideration. I will be available to help with questions on rural Nevada.

BRUCE BOMMARITO (Executive Director, Commission on Tourism):

With me today is Ms. Nancy Dunn, Deputy Director of the Division of Tourism, and Mr. Stephen Woodbury, our business manager.

I would like to show you a short film containing two television commercials and information about *Nevada Passage*, a program made for television designed to feature Nevada's attractions ([Exhibit L](#), original is on file at the Research Library).

I have a PowerPoint presentation I would like to review with you titled "Nevada Commission on Tourism, FY 05-07, Biennium Budget Presentation" ([Exhibit M](#), original is on file at the Research Library).

Nevada tourism has always been resilient. Even with the events of the last couple of years, we had a record-breaking 2004 in tourist visits. We had projected breaking the 50 million tourist mark. Nevada had 50.5 million tourist visits in 2004. Tourism has become a \$40 billion business, of which \$10 billion is from gaming. An interesting statistic is that 25 years ago Nevada tourism was 75-percent gaming. Gaming now represents 25 percent of our tourism business. This change has not been at the expense of gaming, but because we have diversified and added new markets. We believe it is important to be creative and take some risks in order to stay ahead of the market. We are the marketing entity for all of Nevada. We had 419,318,508 gross advertising impressions in 2004.

CHAIR RAGGIO:

What do you mean by "gross advertising impressions"?

MR. BOMMARITO:

That is the number of people exposed to either our print or our television advertisements during the year.

CHAIR RAGGIO:

What are you referring to when you use the term "collateral"?

MR. BOMMARITO:

Collateral includes publications we distribute.

CHAIR RAGGIO:

This meeting is taking longer than we anticipated and we still have two bills to hear. Can you come back on Wednesday to complete the presentation on Tourism and Tourism Development along with the Nevada Magazine? I want to give you an opportunity to make a full presentation.

MR. BOMMARITO:

We would be happy to come back on Wednesday.

CHAIR RAGGIO:

On Wednesday, would you look at your revenues from room tax? They appear to be understated. I think that needs to be updated.

SENATE BILL 103: Makes appropriation to Department of Cultural Affairs for development, renovation and expansion of Southern Nevada Railroad Museum. (BDR S-1220)

SCOTT K. SISCO (Interim Director, Department of Cultural Affairs):

I would like to introduce Mr. Peter Barton, the Museum Director for the Nevada State Railroad Museum in Carson City. We have distributed a handout titled "Nevada State Railroad Museums - Boulder City, B/A 4216, One-Shot, \$859,140.00" ([Exhibit N](#)), and a brochure about the Nevada State Railroad Museum in Boulder City ([Exhibit O](#)). We are also passing around an architect's depiction of what the facility in Boulder City will look like. Funding in the amount of \$859,140 is included in S.B. 103 for four items to develop the Boulder City projects. The funds would put air brakes on one of the locomotives, create a wye track reconstruction which is basically a way to turn the train around and provide a backhoe to help manage our 40-acre site. The biggest item is the display track and covered canopies. The second page of [Exhibit N](#) lists the history of the Boulder City project from its inception in 1985 to the present.

In 2004, we started regular weekly operations of the train. We served approximately 7,397 passengers between June and the beginning of December and brought in about \$32,804 in train ride receipts.

In 1993, the City of Henderson, Boulder City and Clark County came together and paid \$1.3 million to buy the collection of railroad cars and locomotives and donate it to the state for this project. This project includes a covered area for some pieces of the collection. This would give the passengers the opportunity to learn about the collection as they are waiting to board the train. It will also protect the collection. We have had some concern about the collection being exposed to the weather.

CHAIR RAGGIO:

Where is the equipment now?

MR. SISCO:

It is sitting in a fenced-in area on the back part of the 40-acre site.

CHAIR RAGGIO:

Is it protected in any way?

MR. SISCO:

No, it is not protected.

CHAIR RAGGIO:

How did you come up with the \$750,000 estimate?

MR. SISCO:

The State Public Works Board gave us an estimate of approximately \$150 per square foot for a metal-covered building such as this without walls.

CHAIR RAGGIO:

Have you checked into buildings by General Steel? You may be able to get it for a lower cost.

MR. SISCO:

We have concerns about steel buildings. With the present steel and concrete prices, we are watching with concern our other Las Vegas museum building and hoping we are going to be able to bring it in on budget.

CHAIR RAGGIO:

We need to have as firm a handle as we can on this estimate. Is this based on room tax money?

MR. GHIGGERI:

This is General Fund money. However, Tourism re-projects their room tax money this year and we may be able to direct excess room tax money to this project.

CHAIR RAGGIO:

We will close the hearing on S.B. 103. At this time we will open the hearing on S.B. 158.

SENATE BILL 158: Establishes fund to provide grants for economic development in rural areas and blighted areas of larger counties. (BDR 18-1140)

SENATOR TITUS (District No. 7, Clark County):

Rural communities enjoy unique resources, but they have special problems that can hinder their development. States across the country have recognized this and have begun to approach the issue from a variety of creative standpoints. For example, last year Louisiana created the Center for Rural Initiatives, Maryland established the Maryland Agriculture and Resource-Based Industry Corporation, Oklahoma created the Rural Action Partnership Program within their Department of Commerce, Utah created the Office of Rural Development within the Department of Community and Economic Development and Virginia passed S.B. 407 creating the Center for Rural Virginia. Along similar lines, I am proposing S.B. 158 which would establish a Nevada Economic Development Fund within the Commission on Economic Development. The fund would make grants to local entities in rural Nevada and in blighted urban areas to support economic development efforts.

My inspiration for this bill comes from two sources. First, as you know, I have always been a strong proponent of renewable energy. Nevada should be on the cutting edge in this area. We heard our energy advisor tell us we are the sunniest state in the country. We have a lot of geothermal resources and our hilltops are windy. These are primarily rural resources which, if developed, could be a win/win situation. It would help the environment while also bringing business, jobs and taxes to rural Nevada.

My other inspiration was the cultural fund which was sponsored a number of years ago by former Assemblywoman Gene Segerblom and others. The cultural fund has been very successful. Grants to restore buildings have been used to create community centers in rural Nevada which, in turn, host conferences, exhibits and programs. This fund has allowed those rural communities to go to the fund for grants as opposed to coming to the Legislature in a piecemeal

fashion. This bill is different from the Governor's approach to put \$9 million into the administration of the two development agencies. While those agencies focus primarily in urban Nevada, this bill would put the money in the hands of the governments that need it. It is not for administration, it is a direct transfer payment.

The Nevada Commission on Economic Development has submitted a few amendments to S.B. 158 which I support ([Exhibit P](#)). The bill was initially drafted so the Lieutenant Governor made the decisions. It would be more appropriate for the Economic Development Commission to make those decisions. They would draw up regulations to start with and allocate the funds based on grant applications. The only restriction would be they could not use any money for economic development attached to, facilitating or in any way connected with Yucca Mountain. It has also been suggested there be a formula in terms of the percentage of money that would go to rural areas and urban areas. We added blighted areas because they also need economic development. I do not have any problem with adding a formula if it is appropriate. The final amendment would be to include rural areas located in urban counties such as Mesquite or some parts of Washoe County. Those counties are considered urban counties, but they may have some rural areas that would need development money.

If we set up this fund, it would eliminate the need to come in piecemeal fashion to the Legislature with good projects that do not have an overall plan, like the Port of Elko. It is beneficial because it allows local governments to pursue projects more quickly and there is more certainty of the money than if they had to come to the Legislature. With those things in place, they are more likely to get private investment from nongovernment sources in these economic development areas. It is not limited to energy, although that was my impetus. It could be for any kind of business projects that help with economic development. I would encourage you to take a little piece of our surplus and reinvest it in Nevada.

I have distributed copies of letters sent from people in rural Nevada who support this bill ([Exhibit Q](#)).

CHAIR RAGGIO:

This bill would provide funding for grants to what is defined as a blighted area and that would only apply in counties with populations over 100,000. The rural areas would be in counties with populations under 100,000. Does the amendment change that?

SENATOR TITUS:

There are also blighted areas in rural counties. It would be any blighted area in the state.

CHAIR RAGGIO:

In the bill it says a blighted area "means an area in a county whose population is 100,000 or more"

SENATOR TITUS:

We wanted to say blighted areas, where they exist, and rural areas in the urban counties and in rural counties.

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SHIRLEY G. WALKER (Churchill Economic Development Authority):

I am here to congratulate Senator Titus. She has done a good job on this bill. It will be a worthwhile bill for the rural areas. I have one reservation that maybe there should be a formula.

CHAIR RAGGIO:

Senator Titus indicated that was the intent. I assume that is in the proposed amendment. What was the formula?

SENATOR TITUS:

The formula is debatable. It could be 60/40 or 70/30. I think the Economic Development people do not want a formula because if there is money left over, they would like to be able to move it around. I do not have a problem with the formula. It is up to this Committee to make that decision.

CHAIR RAGGIO:

We will close the hearing on S.B. 158 at this time and reschedule it for Wednesday, March 23, 2005, with the proposed amendments.

I have one more bill draft request. It makes an appropriation of \$1.5 million to the Nevada Alliance of Boys and Girls Clubs, Inc. for the establishment and operation of a SMART Move Program.

BILL DRAFT REQUEST S-461: Makes appropriation to Nevada Alliance of Boys and Girls Clubs, Inc. for establishment of SMART Moves program. (Later introduced as [Senate Bill 236](#).)

SENATOR COFFIN MOVED TO INTRODUCE BDR S-461.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR BEERS WAS ABSENT FOR THE VOTE.)

CHAIR RAGGIO:

There being no further business to discuss at this time, I will adjourn the meeting at 10:48 a.m.

RESPECTFULLY SUBMITTED:

Anne Vorderbruggen,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____