MINUTES OF THE
NEVADA LEGISLATURE'S
INTERIM FINANCE COMMITTEE'S
SUBCOMMITTEE FOR FEDERAL STIMULUS OVERSIGHT
(A.C.R. 34, 2009 SESSION)
May 25, 2010

The sixth meeting of the Interim Finance Committee's Subcommittee for Federal Stimulus Oversight (A.C.R. 34) was held on May 25, 2010, in room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. The meeting was videoconferenced to room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada.

SUBCOMMITTEE MEMBERS PRESENT IN CARSON CITY:
Senator Steven Horsford
Senator Mathews
Assemblyman Pete Goicoechea
Assemblywoman Sheila Leslie

SUBCOMMITTEE MEMBERS PRESENT IN LAS VEGAS:
Assemblywoman Debbie Smith, Chairwoman
Senator Shirley Breeden
Senator Michael Schneider
Assemblyman Kelvin Atkinson
Assemblyman Marcus Conklin
Assemblyman Joseph Hardy

SUBCOMMITTEE MEMBERS ABSENT:
Senator William J. Raggio
Senator Randolph Townsend

STAFF MEMBERS PRESENT IN CARSON CITY:
Tracy Raxter, Assembly Fiscal Analyst, Fiscal Analysis Division
Mark Krmpotic, Senate Fiscal Analyst, Fiscal Analysis Division
Eileen O'Grady, Chief Deputy Legislative Counsel, Legal Division
Donna Thomas, Secretary, Fiscal Analysis Division

EXHIBITS:
Exhibit A: Agenda and Meeting Packet
Exhibit B: Attendance Record
Exhibit C: Tax Credit Assistance Program Status Report Provided by the Nevada Housing Division
Exhibit D: Neighborhood Stabilization Program Status Report Provided by the Nevada Housing Division
Exhibit E: Homeless Prevention and Rapid Re-Housing Program Status Report provided by the Nevada Housing Division

Exhibit F: Letter to the Nevada State Office of Energy from the Department of Energy
Exhibit G: Advance Service Delivery, provided by NV Energy
Exhibit H: Renewable Energy 2010 Brochure Provided by NV Energy
Exhibit I: List of Renewable Energy Projects Provided by NV Energy
Exhibit J: Testimony from REA250 provided by Susan Clark, Ph.D.
Exhibit K: eResource Center for Renewable Energy in Nevada provided by Susan Clark, Ph.D., REA250
Exhibit L: Nevada Information related to the American Recovery and Reinvestment Act of 2009 provided by the State ARRA Office
Exhibit M: Projects Subject to Federal 1512 Reporting provided by the State ARRA Office
Exhibit N: Transportation and Infrastructure Committee, Transparency and Accountability Information provided by the Nevada Department of Transportation
Exhibit O: Overview and Status of Recovery Act Grants provided by the Department of Conservation and Natural Resources, Division of Environmental Protection

A. ROLL CALL.

The meeting of the Nevada Legislature's Interim Finance Committee's Subcommittee for Federal Stimulus Oversight was called to order by Chairwoman Debbie Smith at 1:19 p.m. The secretary called roll; all members were present, except for Senator Raggio and Senator Townsend, who were excused.

B. REVIEW OF PLANS AND SPENDING OF AMERICAN RECOVERY AND REINVESTMENT ACT FUNDS ADMINISTERED BY:

1. Nevada Department of Education

Dr. Keith W. Rheault, Superintendent of Public Instruction, Nevada Department of Education (NDE), reported on three items: 1) the American Recovery and Reinvestment Act of 2009 (ARRA) funds received by the NDE in the spring of 2009; 2) the Race to the Top application; and 3) $22 million available for School Improvement grants.

Dr. Rheault referred to a spreadsheet on page 3 of the meeting packet (Exhibit A) showing the ARRA programs that were funded in the spring of 2009, including $70 million for Title I; $4 million for educational technology; $365,000 for homeless students; $67 million for special education; and, $2.3 million for early childhood special education.

Dr. Rheault explained that as of May 13, 2010, the following percentages of ARRA funds had been either requested or expended by the school districts: 41 percent of the Title I funds; 52 percent of the homeless funds; 84 percent of the educational technology funds; and, 41 percent of the special education funds. He noted that the school districts had been frugal in expending the funding in 2010 to spread out the expenditures over the two-year life of the funding. The pending 6.9 percent budget cuts in the following school year had made the school districts a little more conservative, and ARRA funds would be used to make up for some of those reductions. He was not concerned about the rate of expenditure by the school districts.

Chairwoman Smith expressed concern about the low percentage of homeless grant funds expended. The average was 36 percent, but the percentage was much lower for some of the school districts. She asked if the funds would be expended by June 30, 2010.

Dr. Rheault said the school districts had until just prior to June 30, 2010, to request the funds. To date, requests and expenditures for the homeless grant were $188,000 of the approved spending plan of $365,000, or about 50 percent. The state fund was set up so the ARRA funds were either expended, or near expenditure, before the payment was provided. He offered to follow up on the rate of expenditure with Fiscal Division staff, and Chairwoman Smith asked that he do so.

Dr. Rheault said the Race to the Top was a competitive grant that was available to every state, and Nevada was eligible to apply under Phase II of the application. The application was to be submitted to the U.S. Department of Education by June 1, 2010. He said the Governor arranged an official signing ceremony on Thursday, May 27, 2010, at 11:00 a.m. in the Governor's Annex in Carson City. As required by the application, the Attorney General's Office reviewed the application and confirmed the statutes and regulations identified in the application were accurate. The draft application was presented to the State Board of Education on May 14, 2010, and approved by the president of the board. The application would be submitted in a timely manner.

Dr. Rheault reported the application process required over 1,000 hours of NDE staff time. The application process was a collaborative effort that could not have been done without the support of the Blue Ribbon Task Force members. Elaine Wynn, as Co-chair of the Blue Ribbon Task Force, provided task force staff to participate in the process in Carson City for one month. The Interim Finance Committee (IFC) provided funding for a contractor to facilitate and coordinate the proposal. Four school districts, the Nevada System of Higher Education (NSHE) and the Nevada Public Education Foundation provided grant writers who worked on the application. Many of the Regional Professional Development Programs (RPDPs) sent staff to assist in the completion of the application. He was optimistic that the final application would put the State of Nevada in the running to receive grant funds.

Dr. Rheault said a key element of the applications submitted by the first two states that received funding was how many school districts chose to participate in the program. He noted that participation was not mandatory. He was happy to report that all 17 school districts' boards of trustees in Nevada had signed on to participate in the program. He said 13 of the 17 school district unions signed on to participate, and one more might sign on before the process was completed. He said there had been much discussion amongst states that were reapplying for the grant funds as to whether union participation would be good or bad for the application. Dr. Rheault noted that Secretary of Education, Arne Duncan, clarified the U.S. Department of Education preferred an application with very aggressive reform efforts that might cause a few of the associations not to participate, rather than a watered-down application with 100 percent union participation.

Dr. Rheault said the associations that signed on for participation represented about 96 percent of the students in the State. He said the NDE had a strong application with aggressive reforms, and a majority of the unions had signed on.

Dr. Rheault said there was a specific amount of funding that each state could apply for in Phase II, and Nevada was requesting the maximum amount of $175 million. Of that amount, 50 percent, or $87.5 million, must be distributed directly to the participating local education agencies or school districts. In Nevada, the funds would be distributed under the same formula used for Title I funding distribution. The other half of the funds could be reserved for statewide activities and additional support to school districts.

Dr. Rheault said another $7 million was earmarked as supplemental funding to school districts. If a school district chose to participate, supplemental funding of $100,000 per year was added for each of the four years of the grant. This would be particularly helpful to some of the smaller school districts, such as Eureka, Pershing, Esmeralda, and Storey. The supplemental funding would allow them to contract, or assign existing staff, to assure correct reporting and implementation. Another $5.8 million was for Science, Technology, Engineering and Math (STEM) activities in the State. Another $6 million was for additional RPDP assistance, which was cut by about 40 percent during the 2009 Legislative Session. He noted professional development was a key piece of the Race to the Top application. The RPDP part of the application was supplemented to assure the professional development outlined in the application could be provided. Another $9 million was for school intervention programs, similar to the School Improvement grants. Also, $17 million was included for data systems and support for school districts to report the required data.

Dr. Rheault said the states selected to be finalists would be notified of the selection by the first week of August 2010. If Nevada was among the finalists, a team of five individuals would be invited to Washington D.C. in the second week of August 2010 to interview with the review panel. He said, in early September 2010, the states selected to receive the funding would be announced.

Dr. Rheault reported the Phase I applications were very competitive; forty states applied for the funding, with $3.4 billion still to be distributed. The competition decreased a bit because some states that applied in the first round were not applying in the second round for a number of reasons.

In response to a question from Assemblyman Goicoechea, Dr. Rheault said the unions that chose not to participate in the application were affiliated with Elko County, Lander County, Storey County and Churchill County.

In conclusion, Dr. Rheault said because 200 to 300 individuals provided input regarding the application, the final product was better than if it had been written by a smaller group. He said the application would be posted on the NDE website.

Chairwoman Smith commended Dr. Rheault and the NDE staff for putting the application together. She recalled that when the subject was first discussed in December 2009, it seemed like an unbelievable task to complete the application before the deadline. As a member of the Blue Ribbon Task Force, she was aware of the large group that came together from private business and the public sector. She thanked Dr. Rheault and his staff for performing a difficult job.

Chairwoman Smith said the State submitted a high-quality application, but even if the funds were not awarded to Nevada, the process resulted in ideas that could be carried forward to the 2011 Legislative Session. She said a debt of gratitude was owed to Mrs. Wynn for providing staff who helped NDE prepare the application.

Senator Horsford commended Dr. Rheault and his staff for their diligence in completing the application. He asked if the application would be presented to the Legislative Committee on Education (NRS 218E.605) so that the legislators would know what regulatory changes would be required to support the provisions in the application. Dr. Rheault said he would be happy to present the application to the Legislative Committee on Education.

Chairwoman Smith remarked that it would be challenging to bring together the components of the Race to the Top application with the recommendations of the Legislative Committee on Education, and the A.C.R. 2 (2009) study. She asked Dr. Rheault to continue with the rest of his presentation.

Dr. Rheault said $18.5 million in School Improvement grants were received through ARRA funds. In addition, the NDE was authorized to use $3.5 million from the annual Title I funding. The School Improvement grant required the State to identify the schools that were in the lowest 5 percent based on student achievement results and student growth. The schools were classified into three tiers: Tier I, Tier II, or Tier III. He explained that Tier I schools were already receiving Title I funds. Tier II schools were eligible, but were not receiving Title I funds. Tier III schools were Title I schools that were receiving funds, but were not in need of improvement, nor were they ranked among the lowest in the State. The grant required NDE to identify the high schools with a 60 percent or lower graduation rate over the past four years, as well as schools in need of improvement under the No Child Left Behind Act.

Dr. Rheault said 11 schools – all in Washoe County and Clark County – were identified as Tier I. The Tier II schools were eligible for Title I funds because they were ranked near the bottom of schools in the State, but did not receive the funding because there were not enough of those funds in the State. Eight schools were identified as Tier II in the following counties: Carson City, 1 middle school; Clark County, 3 high schools; Elko County, 1 middle school; and, Washoe County, 3 middle schools. There were 122 Tier III schools. Dr. Rheault would follow up with Fiscal Division staff to provide a list of the schools identified at each tier level to the Subcommittee members.

Dr. Rheault said one of the quirks of the funding was that a school district had to fund all of the Tier I schools that were identified before the other funding could be used. If the two school districts with Tier I schools could not support all of the schools in the 2010-11 school year, the State would be required to reserve 25 percent of the total funding and carry it into the following year to fund additional schools in 2011-12. The NDE submitted its application in February 2010, but the process was postponed by the U.S. Department of Education. The result of the application was supposed to have been known by the middle of March, but approval was not given until April 15, which caused a delay in the application date for the local school districts.

Dr. Rheault said the school district applications would be thoroughly reviewed. He explained that the school district applications must identify one of four turnaround models to be used to address the problems in the schools that were identified for the funding. He described the four models as follows:

1. The turnaround model required the removal of the current principal and at least 50 percent of the staff, along with a number of reform efforts.

2. The restart model required hiring an education management organization, such as Edison Schools, which took over some schools in Clark County a few years ago. He did not anticipate that any of the school districts would use this model.

3. The third model was to close the school, and disperse the students to other schools in the area. He did not anticipate any school districts in Nevada would use this model.

4. The transformation model was very similar to what was required in Nevada statute for empowerment schools. The model required that, if the principal was in the school for three years, even in a transformation model, that principal would be replaced, but the staff would not be replaced.

Dr. Rheault said the eligible schools could receive funding ranging from $50,000 per year to $2 million per year over the three-year period. He said there would be about $18 million available in 2010. He explained that amount was not enough even just for the 11 Tier I schools. The school district applications must explain the improvement needed, and identify a plan to make that improvement.

In response to a question from Chairwoman Smith about whether the funding decisions would be made at the state or federal level, Dr. Rheault explained that the NDE would make the decisions using a very specific scoring rubric, which was provided to the school districts, and was available on the NDE website (www.doe.nv.gov).

Senator Horsford asked how the NDE would assist the schools that were awarded the funding, what the corrective action plans would be, and what role the NDE would have in that process.

Dr. Rheault said the districts would identify one of the four models. Three NDE staff assigned to school improvement efforts, along with NDE Title I staff, would work with the schools that would receive funding under the School Improvement grant. The NDE would ensure that the funds were used as described in the district's approved application. There would be benchmarks to be met, and overall improvement for each year of the grant, which the NDE would monitor.

Senator Horsford asked if the School Improvement grant was given in addition to regular Title I funding and other grants from the federal, state or local level. Dr. Rheault replied that $3 million of the $22 million was available under the old Title I funding, but it was combined under the School Improvement grant.

Senator Horsford noted some of the schools had previously been required to make intervention efforts. Dr. Rheault said most of the schools on the list were Title I schools, which meant they were in need of improvement. He noted one might think a school that had been in need of improvement for a fifth consecutive year would be at the top of the list; however, because the formula included student achievement growth, that school might not be in the lowest 5 percent.

Senator Horsford said he understood that some of the schools that might be expected to appear on the list did not because of student achievement growth. However, he did not understand why the districts continued to implement the new intervention models. He said the model, curriculum and staff of the schools changed every three years. There was a lack of consistency and relationship between the students, teachers and parents of those schools. He would like to see a more comprehensive approach that took that into consideration. He wondered, if the principals and teachers were replaced, where would the new principals and teachers come from, and where did the principals and teachers that were replaced go? He was not defending education professionals who were not meeting the standard, but it was his understanding the staff that were replaced were shifted elsewhere, which was a concern.

Senator Horsford asked Dr. Rheault for a side-by-side comparison for each of the schools reflecting the funding that was currently in place from the various grant sources. He asked, of the schools that had an intervention model in place within the last five to ten years, did the NDE know why the intervention model failed? He also asked whether the solutions being proposed by NDE were better.

Dr. Rheault said there were more than four ways to improve the schools, and there were probably better methods, but the school districts were limited to the four models. He said there was more and more criticism that the school districts had no choice as to how to spend the funding.

Chairwoman Smith asked that the Subcommittee members be provided with a list of the school districts that received the grants and the amounts. She recalled that there had been a great deal of public discussion about the School Improvement grants and the turnaround model in Washoe County. She said the school district arranged a thoughtful process as to how each school would be impacted and how the community would be involved. In speaking with the Superintendent, she knew much thought had been put into where the principals in the turnaround schools went, what their strengths were, and what type of leadership was needed in the schools to overcome their current situations. She agreed that kind of turnaround model was a painful process, but in some schools that type of model could work.

Dr. Rheault said any of the 11 Tier I or 8 Tier II schools could be funded based on the school's need and the capacity of the school district to support the school. He did not anticipate that all of the districts would attempt to turnaround all of the schools that were eligible in the first year. There was not enough money, but there would be additional funds in the following years. He said it was each district's decision as to which schools would be served in the first year and successive years.

Chairwoman Smith thanked Dr. Rheault for his testimony.

2. Nevada Housing Division, Department of Business and Industry

Dr. Hillary Lopez, Nevada Housing Division (NHD), introduced Debra Parra, Grants and Programs Supervisor, and Soni Bigler, Grants and Program Analyst. She reported on the status of the following three multi-year ARRA programs: the Tax Credit Assistance Program; the Homeless Prevention and Rapid Re-Housing Program; and, the Neighborhood Stabilization Program, which was funded under the first stimulus program, the Housing and Economic Recovery Act (HERA) of 2008. Although the funds were received in 2009, the funds could be expended over several years. Any funds left as of June 30, 2010, would be carried forward to the next fiscal year to be expended on eligible projects.

Dr. Lopez said the Subcommittee members received a Tax Credit Assistance Program (TCAP) Status Report provided by the NHD (Exhibit C). She said the TCAP was authorized under ARRA and administered through the U.S. Department of Housing and Urban Development (HUD). The NHD was awarded approximately $15.1 million under the program. The TCAP funds provided gap financing specifically to eligible low-income housing tax credit projects that were funded by the NHD throughout the State. The program was developed as a result of traditional low-income housing tax credit equity investors leaving the market during the economic downturn. The remaining investors significantly lowered the price that they were willing to pay for low-income housing tax credits. Projects funded in 2008 had been receiving approximately $0.90 to $0.92 per dollar of low-income housing tax credit equity, but after the economic downturn, that declined to approximately $0.60 to $0.65 per dollar. As a result, there was a need for gap financing.

Dr. Lopez said that in July 2009, after public hearings with HUD and other interested parties, the NHD developed its reading and ranking criteria, as well as application submission criteria. The criteria was approved by HUD on July 6, 2009, and was used to evaluate all of the 16 applications received by the NHD, which included requests for approximately $35.5 million.

Dr. Lopez noted that TCAP funds could only be used for a project that had an eligible low-income housing tax credit reservation by September 30, 2009. Also eligible for TCAP funds were projects that received tax-exempt bond financing through the Division. The Division received a Section 42M letter advising that these projects were eligible for 4 percent low-income housing tax credits prior to the September 30 deadline.

Dr. Lopez said that of all the applications received, based on scoring of the 2009 low-income housing tax credit applications in connection with scoring of the TCAP applications, six projects initially received funding. Since then, one project, Westcliff Heights in Southern Nevada, returned the TCAP award, because lowered construction costs resulted in it no longer needing the funds. Those funds were reallocated to another project. Five projects have received TCAP funds, and those projects were listed on the status report (Exhibit C, page 2). Two projects were in Las Vegas, one in Henderson, one in Carson City, and one in Reno. In total, those projects would provide 678 affordable housing units. Per HUD's regulations, 75 percent of the TCAP funds were required to be obligated by February 12, 2010. The NHD obligated 100 percent of the funds through the required written agreements. Dr. Lopez said HUD gave the developers until February 12, 2011, to expend 75 percent of the allocated funds, and 100 percent of the funds were to be expended prior to February 12, 2012. The NHD required that 100 percent of the funds be expended by December 31, 2011, to ensure that all of the funds were either used or reallocated.

Dr. Lopez said since the time the funds were allocated, the NHD had been working on the required HUD environmental assessments for each project, developing the program, and coordinating with the other entities that funded these projects. On average, the projects contained about three to five other local and private sources of funds with whom the NHD coordinated the priority of funding and required documentation.

Dr. Lopez said, to date, construction on one project had commenced: Silver Sage Senior at Neil Road in Reno recently had its groundbreaking and was under construction. Land had been purchased for three projects, and it was anticipated they would start construction in June 2010. The Sierra Ridge Senior project in Carson City was to break ground on June 2, 2010. The final project, Cloudbreak U.S. Vets at the Meadows in Las Vegas, was trying to locate a viable low-income housing tax credit investor. It was a special needs project, and was having more difficulty locating investors. However, the NHD was under a conditional agreement with that project, and if the environmental assessment was not completed prior to September 30, 2011, the funds would be rescinded and reallocated.

Dr. Lopez said that the second table (Exhibit C, page 2) showed expenditures through June 30, 2010, for the five projects. About $5.7 million of the $15.1 million would be expended as of June 30, 2010. The NHD would submit a work program request for the June 24, 2010, meeting of the IFC to carry forward the remainder of the funds.

In conclusion, Dr. Lopez summarized that the projects funded through TCAP would add 678 units of affordable senior or family housing for households at or below 60 percent of the area median income throughout the State. She said the majority of the units would serve households with incomes at or below 50 percent of the area median income. It was anticipated that the projects would create over 500 construction jobs during the 12 to 15 month period, with the TCAP funding a portion of those jobs, and an estimated 18 permanent property management positions. In addition, the NHD was leveraging about $3 of other local or private financing for every dollar of TCAP invested in the projects.

Assemblyman Marcus Conklin asked for the ratio of the return on investment dollars. Dr. Lopez said it was estimated that approximately $3 in either local or private financing was being leveraged for each dollar of TCAP invested.

Senator Horsford noted that the information being presented was not the same information that had been provided to the Subcommittee prior to the hearing. He asked for an updated chart. Dr. Lopez said the updated reports were sent electronically to the Fiscal Analysis Division for distribution to the Subcommittee.

Senator Horsford asked if the reason for the lower than projected number of units was that the NHD was having to allocate more to those providers that were moving forward with their projects. Dr. Lopez agreed, and mentioned that the NHD was able to provide some of the developers with Section 1602 cash in lieu of low-income housing tax credit funds. Some of the remaining projects not included on Exhibit C received a different source of recovery funds through the NHD to allow the projects to move forward.

Senator Mathews asked if all of the developers were local, in-state contractors. Dr. Lopez said all of the developers were either local nonprofit agencies, or developers from out-of-state that partnered with local nonprofit agencies. She noted that the Silver Sage Senior developer was a local nonprofit in the Reno area. Sierra Ridge Senior was a joint venture between an out-of-state developer who had developed other projects within Nevada, and was working in partnership with the Carson City Senior Center. College Villas Senior was a for-profit entity without a nonprofit partner. Sky View Pines was a local nonprofit in the Las Vegas area. Finally, she believed that Cloudbreak U.S. Vets at the Meadows had a nonprofit partner.

Senator Mathews asked whether the out-of-state developers that were working with a local nonprofit were the major partners in the projects. Dr. Lopez said all of the developers bid out their jobs to contractors, so some of the contractors were from Nevada, and other contractors, or subcontractors were from out-of-state.

Senator Mathews asked if all of the major contractors were from Nevada. Dr. Lopez said the developers were from within the State, but she was unsure of the contractors being used to provide the construction services. Senator Mathews noted that the State had a very high rate of unemployment, and the contractors brought the majority of the workers with them. It bothered her that in-state contractors with credible bids could not be found.

Senator Horsford asked how many jobs could be attributed to the five projects for which the NHD approved funding. Dr. Lopez said the Section 1512 report filed as of the end of the prior quarter did not show any jobs being created, because none of the projects were under construction at that point. However, the division estimated that over the 12 to 15 month period, 500 jobs would be created. It was anticipated that 18 of those jobs would be permanent property manager positions.

Senator Horsford said he had not studied all of the federal guidelines for this particular program. He asked whether the funding was federal ARRA money that required prevailing wages be paid. Dr. Lopez replied that prevailing wages must be paid for ARRA funded projects. However, Section 1602 funding in lieu of tax credit funds, which was part of the American Recovery and Reinvestment *Tax Act* of 2009, did not require the payment of prevailing wages. Since the projects were funded in Division B under the Tax Act of ARRA, they were not subject to the same requirements as programs that were funded in Division A of ARRA.

Senator Horsford asked Dr. Lopez to provide that information to LCB staff. He understood that Section 1602 of ARRA required the payment of Davis Bacon rate prevailing wages, but he now understood that this grant program did not include that requirement. Dr. Lopez clarified that the tax credit assistance program was required to adhere to the Davis Bacon wage rates, but the Division's other housing finance program was not.

Senator Horsford asked for an explanation of the process used to ensure that a nonprofit or for-profit developer complied with the wage rates for its employees and subcontractors. Dr. Lopez explained that after the funding was provided, the project sponsor bid out the project to find a contractor, and the contractor then identified the subcontractors. She said that all of the weekly payroll certifications were provided to the NHD staff and were reviewed and certified to ensure that the correct categorization was used for the workers, and the correct wage rate was paid.

Senator Horsford asked if the fact that the wage rates were set created a challenge to Nevada-based contractors to hire Nevada-based workers.

Dr. Lopez would need to ask the developers whether they were using in-state or out-of-state contractors to know whether there were fewer in-state contractors being used. She would then find out whether the bids were coming in lower from out-of-state contractors, or whether the developers chose to work with contractors they were familiar with that happened to be out-of-state contractors. Senator Horsford asked Dr. Lopez to provide that information to the Subcommittee.

Chairwoman Smith noted there was concern that Nevadans were not being hired to work on the jobs. She asked if an open bid process was used. Dr. Lopez understood that a competitive bid process had been used. She would find out about the bid process, and the number of developers contracted with in-state versus out-of-state contractors.

Senator Schneider noted that the projects were fairly small. Most of the developers would probably opt to use local contractors that had established relationships with subcontractors in the community.

Senator Mathews suggested this would be an interesting topic for a Legislative Audit. She said the question as to whether in-state or out-of-state contractors were hired arose often.

Chairwoman Smith asked Dr. Lopez to report on the Neighborhood Stabilization Program (NSP) funding (Exhibit D). Dr. Lopez noted that the NHD received HERA funding in round one. At that time NHD was awarded approximately $24.2 million. The funds were received on March 11, 2009, and NHD was required to obligate 100 percent of the funds within 18 months. The goal of the "NSP1" program was to facilitate the acquisition and redevelopment of foreclosed properties that might otherwise become sources of abandonment and blight within Nevada's communities. In December 2008, prior to receipt of the award, NHD submitted to HUD a substantial amendment to its consolidated plan. The amendment outlined the allocation of NDP1 funds to local jurisdictions in greatest need throughout the State in support of three primary activities: 1) the acquisition, rehabilitation and resale of foreclosed or abandoned homes; 2) the acquisition, rehabilitation and rental of foreclosed homes; and, 3) direct down payment assistance to purchasers of foreclosed homes. The total amount of funds allocated to each jurisdiction, as well as the original corresponding number of units proposed as outcomes for each of these activities, was provided to the Subcommittee (Exhibit D).

Assemblyman Conklin asked about the chart on page 5 of the report (Exhibit D). He was concerned that North Las Vegas was not listed, although the city had a substantial need for the funds.

Dr. Lopez said the chart showed the amount allocated to state administration, as well as what was passed through to the local jurisdictions, and the amount of state funds allocated to certain counties. She explained there was a consortium between Clark County and North Las Vegas. An amendment was submitted for direct funding, and funding for North Las Vegas was also given through Clark County. She said the chart on page 5 showed the amounts drawn down through May 14, 2010, as well as the corresponding number of units acquired and rehabilitated for either resale or rental, and/or the number of households that received direct down payment assistance. To date, the State had expended 42.6 percent of its NSP1 funds, or approximately $10.3 million. There had been slower rates of expenditure of state NSP funds within the cities of Las Vegas and Henderson. One of the challenges to the City of Las Vegas was that it had originally allocated about $3 million of state NSP1 funds to its homebuyer assistance activity for direct down payment assistance. There had been significant issues throughout all of the jurisdictions in getting that program off the ground. It affected the City of Las Vegas more because the city had allocated most of its NSP1 funds to this activity. The NHD has been working with City of Las Vegas staff, and the amendment has been changed to reallocate those funds to acquisition, rehabilitation and resale activity. Once that change was approved by HUD, the drawn down rate was anticipated to improve dramatically. The City of Henderson has also been slow to draw down the state NSP1 funds, because it has been working to expend its direct allocation before the NHD allocation. However, City of Henderson staff reported that the purchase of homes would obligate about $600,000 of its remaining state NSP1 funds, which would dramatically improve its draw down rate.

Assemblyman Conklin noted that Las Vegas and Henderson expended roughly 15 percent, which left 85 percent to expend within four months. Dr. Lopez clarified that the funds had to be obligated by September 30, 2010, but did not have to be expended by that date. The funds must be tied to a specific address by September 11, 2010, and could be expended after that date.

Assemblyman Conklin asked Dr. Lopez if she was confident that the local governments would meet that deadline. Dr. Lopez said the NHD contacted all of the jurisdictions in advance of the meeting to find out how much was anticipated to be obligated that was not yet input to the reporting system. She said the City of Henderson reported that although only $85,000 was drawn down, about $603,000 was obligated.

Senator Horsford noted that there were two parts to the process: first, the local government acquired the homes, then assistance was provided to individuals. He asked whether the local governments made improvements to the homes that were acquired. He noted many foreclosed homes were damaged or vandalized. Dr. Lopez replied that each of the jurisdictions had a slightly different process, but they all acquired the homes, then evaluated whether rehabilitation was needed. Each jurisdiction had a different limit set on the amount of rehabilitation. Once the homes were rehabilitated, they were either rented or sold to NSP1-eligible households.

Senator Horsford asked if NSP1 required a certain level of wages to be paid to the workers who performed the rehabilitation of the properties. Dr. Lopez said there was no such requirement.

Senator Horsford noted that many of the homes were located in underserved and low-income communities that would be eligible for programs such as weatherization, energy efficiency, and possibly retrofitting. He asked if there were any efforts made to link the municipalities that resold the home, or the individual receiving down payment assistance to learn about those opportunities. He explained the effect of the benefits of the programs could be multiplied for the taxpayer, the homeowner and the people looking for jobs.

Dr. Lopez affirmed that some of those efforts were taking place. For example, in Southern Nevada weatherization was performed on some homes acquired through the NSP program. Some of the nonprofit agencies NHD worked with in Southern Nevada administered a variety of other social service programs. In addition, NHD worked with the USDA to qualify individuals for down payment assistance in the rural areas of the State. The NHD also worked with the First Time Homebuyer program to help people with down payment assistance. Some communities were pairing the funding with other funding that was available.

Continuing, Dr. Lopez said that HUD released a "snapshot" of the performance of the NSP1 program for the State as a whole, and the NHD (Exhibit D, page 7). She noted that NHD exceeded some of the national averages. For example, the cumulative commitments through April 2010 as a percentage of the total grant were 63.5 percent versus the national average of 50.4 percent. Total expenditures through April 2010 as a percentage of the total grant were 42.4 percent versus the national average of 21.7 percent. She said it showed that NHD needed to commit approximately $2.2 million per month from May through August 2010 to meet the commitment deadline of September 11, 2010. As mentioned previously, based on conversations with the jurisdictions, it was anticipated that 100 percent of the funds would be obligated by September 11, 2010.

Dr. Lopez said the NHD applied for NSP2 funds, which were available through ARRA through a competitive process. The NHD application covered only the rural areas of the State. Separate applications were submitted by Southern Nevada jurisdictions and the Reno Housing Authority. Unfortunately, the applications were not successful. However, HUD announced there might be a third round of NSP funding. Those funds had not yet been allocated by Congress, and it was anticipated that reallocated funds from NSP1 might be used to fund that program.

Dr. Lopez said that Soni Bigler, Grants and Projects Analyst, NHD, would report on the Homeless Prevention and Rapid Re-Housing Program (HPRP) that was funded through ARRA. Ms. Bigler reported that, in August 2009, NHD received $2,035,393 for homeless prevention and rapid re-housing purposes, which provided financial assistance, short-term or medium-term rental assistance, some case management, legal services and credit repair activity for clients located throughout Nevada. The NHD allocated funds to Northern and Southern Nevada to supplement the program funds that were received directly from HUD. For rural Nevada, the NHD allocated funds to agencies that had submitted letters of request for funds, and funded all the entities that had requested funds throughout rural Nevada. Referring to the Homeless Prevention and Rapid Re-Housing Program Status Report provided by the Nevada Housing

Division (Exhibit E), Ms. Bigler noted page 4 listed the agencies throughout Nevada that received the funding. In addition, White Pine County Social Services was allocated about $50,000, but elected to return the funds. Those funds were subsequently reallocated to Lyon County, because at that time it had been going through the funds more quickly than the other grantees.

Ms. Bigler said program regulations required that 60 percent of the funds be expended within two years, or by August 2011, and 100 percent by August 2012. Almost 22 percent of the funds allocated had been expended to date. Some of the agencies had not yet drawn down any funds. There was a community in Churchill County that was trying to partner the funds with another ARRA program community services block grant for job training/employment training. It was taking more time to get the program off the ground. Funding was being expended in Clark County, which expected to run out of the funds in less than one year, even though the county was only required to expend 60 percent within two years and 100 percent within three years.

Ms. Bigler said examples of how the funds were being used to help people were provided to the Subcommittee in Exhibit E, pages 5 through 9. Essentially the funds were used for short to medium-term rental assistance. Each area created their own program guidelines and risk assessments for clients that they wished to serve. HUD encouraged the agencies to narrow the scope to make the funds last longer. Each agency was granted the opportunity to create the programs based on local needs. For example, regulations mandated that an individual could not earn more than 50 percent of area median income. Some agencies lowered that to 30 percent, and it was within their authority to do that.

Assemblyman Conklin asked how many participants had been given financial assistance as opposed to housing reallocation and stabilization services. Ms. Bigler said over 400 individuals, and 175 households, had received assistance throughout the State, but she did not know how much of that assistance was financial. Every agency that received the funds was mandated to enter information about the clients that were receiving HPRP funds into the Homeless Management Information System (HMIS). Unfortunately, there were some problems with the software, and that information was not available.

Assemblywoman Conklin noted that spending was slowed so the funds would last longer. He asked how much had already been allocated. Referring to page 4 (Exhibit E), Ms. Bigler said that as of May 14, 2010, $445,585 was expended, and almost 22 percent had been drawn. She explained that was on target, because one year's expenditures should be 30 percent, and the one-year anniversary was in August 2010.

Ms. Bigler clarified that the program did not mandate job creation, and not much job growth was expected as a result of these programs. She explained that many agencies could not use the funds for salaries, rather, the funds were used for utilities and rental assistance.

Senator Horsford asked for an explanation of the difference between the terms "jobs created" and "jobs saved." He said the *Las Vegas Review Journal* article included in the material (page 5, Exhibit E), noted that one of the people assisted by HELP of Southern Nevada was now working 30 to 35 hours per week. That person's job was saved; if he had become homeless, he would not have been able to work.

Ms. Bigler agreed, and said the federal requirement was to track to the local jurisdiction or nonprofit level, and not beyond that to the individuals using the assistance. However, HMIS was being used to track clients that were using the assistance. That database included information on people who are exiting the program, including whether they had income. An annual report would be submitted to HUD, but she did not know exactly what was to be tracked at this point. She imagined there would be some information on jobs included in that report.

Chairwoman Smith asked Dr. Lopez whether job creation was reported for the NSP. Dr. Lopez said that NHD did not track jobs created under the NSP, which was part of HERA. She explained that HERA programs were not subject to the same reporting requirements as the programs that were created or funded under ARRA.

Chairwoman Smith asked for an update on the Hardest Hit Fund program. Dr. Lopez said the lead staff person on that project, Lon DeWeese, was not at the meeting. Dr. Lopez noted that the application was submitted by the deadline, and there had been continuing discussions with the U.S. Department of the Treasury. Chairwoman Smith requested a report for the next meeting of the Subcommittee.

Chairwoman Smith said, because of litigation, there would be no report on the Weatherization program. Senator Horsford noted that an audit from the U.S. Department of Energy (DOE) highlighted the NHD. The monitoring summary was very complimentary. The report noted that the Division was doing more than what was required in reporting the number of units and households receiving the services on a week-to-week basis. Two issues noted were that a replacement had to be found for the former manager and that the expenditure allocations must be achieved by the deadline.

Dr. Lopez appreciated the positive comments, and said she would act as the replacement for the former manager of the Weatherization program for the time being. A request to fill the position had been submitted. She noted that a public hearing was scheduled for June 3, 2010, at which the remainder of funds would be allocated through an amendment to the state plan to the selected network of subgrantees as of July 1, 2010. Those subgrantee contracts would be extended through March 2012 so that all of the funds could be obligated. In addition, notice was received that Nevada was only the third state in the country that had the remaining 50 percent of its DOE awarded funds released based on the rate of production and expenditure. As a result, the State had all of its funds available for use. Finally, based again on performance, the State was identified as a high-performing state, and could receive additional funds.

Senator Horsford said despite all of the challenges with S.B. 152, the job was accomplished. He knew there were challenges and concerns remaining, but overall, the monitoring report reflected the benefits of weatherization to the homeowners. He would like more effort by the NHD and the contracted providers toward identifying the target neighborhoods, block-by-block. He believed that the eligible people probably had 10 or 20 neighbors in the same community who were also eligible. There could be a positive impact on those neighborhoods, in addition to providing good jobs to those performing the work.

Dr. Lopez reported that the NHD contracted with the University of Nevada, Reno (UNR) for a study that segregated target neighborhoods on the block level based on percentage of poverty in the 2000 census. That list was culled down and provided to each of the subgrantees so that they could knock on doors, and distribute door hangers. It was unfortunate that the response rate was low in some of those areas, so the weatherization was performed on a first-come, first-served basis. She noted that NHD was still working on those neighborhoods.

Senator Horsford said he would like to see the report from UNR. He noted that depending on who was going to the door to sell the program, people may or may not believe it, because it may sound too good to be true. He said there could be other approaches to contact the people through community partnerships to get results.

There being no further questions, Chairwoman Smith continued to the next topic.

3. Nevada Department of Corrections

Jeff Mohlenkamp, Deputy Director, Department of Corrections, said the Department of Corrections had been awarded a grant of $620,000 for a biomass facility. To date, the Department had drawn down about $10,000, and encumbered another $10,000. The Department did not intend to pursue the project further. The Department would use $3,000 to $5,000 to work with the U.S. Forest Service on a study on the lessons learned from the biomass facility project. The Department intended to consider selling, leasing, or closing the facility within three to four months. This had been communicated to the federal government, which might reallocate the remaining funds to another project of similar scope in the state of Idaho.

Chairwoman Smith was curious about how the Department was able to receive that kind of a grant when it was having so many problems with the plant to begin with. She recalled this was not a successful program from the start.

Mr. Mohlenkamp thought the Division of Forestry may have been involved in securing the funding, but was not sure. He said many parties benefited directly from the initiative. The primary beneficiaries were the agencies involved with the forest. While the program was not a financial success, it had been a success in many areas, for example, cleaning the Lake Tahoe Basin forest of underbrush. Unfortunately, finances dictated this decision, and it was not possible for the Department to operate the facility without a sizable loss. Regrettably for those that benefited, the Department had to make the decision to close the facility.

Chairwoman Smith was surprised that the project was able to compete for that money. She understood that the facility benefited the State in a number of ways, but it was not financially beneficial to the State. She appreciated that the problems were recognized, and the money was not spent. She commended the Department for deciding to hold the viability study. She asked Mr. Mohlenkamp to provide the Subcommittee with a copy of the study on the lessons learned from the project when it was completed.

Mr. Mohlenkamp said the financial information would be available within days, but the full report would not be available for a few weeks. He added that the concept of the project was valid. Some of the problems were not within the Department's control, and some should have been. Had it been implemented properly, it probably would not need to be closed.

4. Nevada State Office of Energy

Jim Groth, Director, Nevada State Office of Energy (NSOE), said he would report on the State Energy Program (SEP) ARRA programs and expenditures, which comprised about $35 million of the $47 million Department of Energy (DOE) programs in ARRA and block grant funding. He said the NSOE received a letter from Director Mark Bailey of the DOE State Energy Program indicating Nevada was one of the few states that was 100 percent through the National Environmental Policy Act (NEPA) process, and 75 percent or more of those funds had already been obligated for the SEP ARRA program.

Mr. Groth reported that the $7.9 million State Buildings program for energy efficiency and renewable energy upgrades was occurring at 124 state buildings. Most of the contracts for those state energy retrofits had been awarded. For example, the Department of Motor Vehicles in Henderson had a solar photovoltaic project that would be completed in June 2010. He said five solar projects were underway. Most of the HVAC retrofitting, energy efficiency retrofitting, lighting upgrades and renewal energy projects would be conducted throughout the summer of 2010 and into the fall of 2010.

Mr. Groth reported that for the Energy Efficient Schools program of just over $10 million, there was a $441,176 distribution to each of the 17 school districts in the State. An additional $1 million was reallocated from the Engineering, Feasibility, Permitting, EID and Project Implementation program category to the Washoe County School District (WCSD) and Clark County School District (CCSD) on a per capita basis. Washoe County was well underway with several projects. For Clark County, a contract must be signed prior to May 31, 2010, to keep the funds in the county.

Chairwoman Smith asked if there was a problem with the flow of projects. Mr. Groth said the DOE required that the subgrant contracts be signed prior to the distribution of funds. He reported that 15 of the 16 school districts had signed all of the subgrants for their programs going forward. There had been some discussion between the Clark County District Attorney's Office and the CCSD regarding the Davis Bacon Act, Senate Bill 152 (2009), union wages, and hiring journeyman contractors. He understood that the issue had been resolved, and the contract would be signed so that during the summer 2010 school break there would be work on HVAC projects.

Chairwoman Smith asked if there was anything the Subcommittee could do to help. Mr. Groth said the Subcommittee could call the Superintendent of the Clark County School District to offer assistance. He did not think there would be a problem, but would notify LCB Fiscal Analysis Division staff if he discovered there was a problem.

Mr. Groth said the Energy Efficient Street Lighting and Traffic Signals program was a $1.7 million LED energy efficiency upgrade. The award was $32,000 to Carson City; $301,240 to Clark County; $411,600 to Henderson; $394,800 to Las Vegas; $358,600 to North Las Vegas; and, $977,457 to Washoe County. The Tahoe Regional Planning Agency (TRPA) and North Las Vegas had projects that would begin in July 2010. Most of the expenditures on the $1.7 million portion of the grant for street light upgrades should be expended between June 2010 and September or October 2010. Most of the effort was in negotiating contracts with suppliers for their programs, but all the subgrantee contracts had been signed.

Mr. Groth said there was not much to report on the Alternative Fuel Infrastructure program. The Board of Examiners approved $170,250 for the replacement of a fuel tank at the Nevada State Motor Pool in Las Vegas. Delivery and installation of the tank was scheduled for mid-June 2010. The new fuel tank would allow for alternative and flex fuels to be stored at the facility.

Mr. Groth reported that the Revolving Loan Program was in full gear. Robert Nellis, the Program Manager, was in attendance. Mr. Groth said the program provided short-term, low-cost loans to renewable energy developers. Of the $8.2 million available, $6.1 million in applications was received, and $2.1 million was still available. The request for proposal (RFP) and application process would be closed by June 30, 2010. Workshops and hearings were conducted over the past six weeks. The program was advertised throughout the State, including the NSOE website. The programs and projects must be approved at the IFC meeting in June 2010. He expected that most of the projects would be initiated in the fall of 2010. The NSOE was particularly pleased with the Revolving Loan program, because, in Nevada, the solar generations rebate program and solar program had been well subscribed. He said very small amounts of solar distributive generation capacity – 4 megawatts at a time – were offered through the Nevada Solar Energy Generations program. Since the program's initiation on April 21, 2010, it has been very successful.

Mr. Groth reported that a special notification had been put out to announce that the NSOE was seeking hydro and wind projects to utilize some of the Revolving Loan Fund in Nevada. Three hydro projects and several wind projects were under application with the Revolving Loan Program. The Revolving Loan Program was designed to extend long beyond the ARRA and block grant. The program started with $8 million, and as the program grew, it would offer six-month to two-year seed money. For example, entities would start a $250,000 wind project, and through the wind generation program, NV Energy would repay the loan quickly and put money back in the pot to be used as loans to other renewable energy programs. He estimated that that the program could grow to $15 million over 10 years. He said the NSOE would petition in the 2011 Legislative Session to add energy efficiency to the Revolving Loan Program. He said many developers came to the NSOE with unique hydro projects that did not fit into the current parameters of the Revolving Loan Program.

Regarding the Engineering, Feasibility, Permitting, EID and Project Implementation program of $3,675,00, the NSOE contracted with the nonprofit Nevada Energy Assistance Corporation (NEAC) to transfer those funds from NSOE to NEAC for engineering, feasibility, permitting and project implementation studies and funds. The NEAC would bid out for transmission studies and transmission upgrades. That fund had over $5 million, but $1 million was issued to CCSD and WCSD. A $3 million transfer would be presented to the Board of Examiners in June 2010.

Mr. Groth said the adoption of the 2009 International Building Codes (IBC) established energy efficiency design construction requirements. The latest contract was signed and under review by the Executive Budget Office. As monies were available, the Renewable Energy and Energy Efficiency Authority (REEEA) would use those funds for workshops and upgrading the IBC-related projects and product services required to support the new 2009 IBC.

Mr. Groth said he would answer any questions about the SEP ARRA programs or other ARRA programs.

Chairwoman Smith asked Mr. Groth to report to LCB staff about the $3.5 million ARRA reserve that was not yet allocated. Mr. Groth said there was a group of administrative funds that were held back in reserve for contingency to support the schools or other programs that went over budget. He would provide those figures to LCB staff.

Chairwoman Smith said she would look forward to hearing the update on the school projects, because those projects had the greatest potential for job creation.

Senator Horsford understood that the applications for bids must include the economic benefit, including job creation, for each one of those projects. Mr. Groth concurred that the number of jobs created was part of the federal Section 1512 reporting requirement. Mr. Groth said that information was provided via payroll documentation.

Senator Horsford asked if the job creation information submitted by the contractors during the bid process was available. He would like to know the number of jobs proposed to be created by the projects, and how many were actually created. Mr. Groth said the numbers were provided in the application process, but the numbers were not included in the meeting material. Mr. Groth said the job activity would begin in the summer of 2010, particularly in the school programs.

Senator Horsford asked how the schools determined whether to hire a contractor, or perform the work using its own employees. He noted some contractors reported that work that had previously been contracted out was now being performed in-house. Senator Horsford observed that performing the work in-house would not have the same stimulus effect on the economy.

Mr. Groth said that was a question of retained versus created jobs. He explained that larger school districts such as Clark County and Washoe County could handle projects like lighting upgrades and retrofits with electricians on staff. The rural county school districts might not have that ability. He did not know how many of the projects were bid competitively. He knew that the WCSD solar photovoltaic projects were contracted out to a local solar contractor. He believed the same was true for Clark County. A C2 certified electrical contractor was required to sign-off for NV Energy to install the reverse meters onsite. That work could not be done with existing staff. Super T5 lighting, LED lighting, window retrofits or other energy compliance-related projects could be performed in-house. He said that outside of the school districts, the state retrofits were handled through the contractual process through contractors and small electrical entities. Mr. Groth said that NSOE worked with the rural local government entities to help them use the grants in the local economy.

Chairwoman Smith was not aware that the projects could be performed by in-house staff. She asked how the prevailing wage issue was addressed. Mr. Groth said contractors were brought in to perform the initial lighting install. Follow-up operations and maintenance were performed by in-house staff. The subgrant contract required that most of the initial work be performed by contractors.

Chairwoman Smith said she appreciated the format in which the NSOE information was presented.

5. NV Energy

Chairwoman Smith said she invited representatives from NV Energy to discuss the ARRA funding it had received, specifically the Smart Grid money, and the renewable energy projects that could come as a result.

Judy Stokey, Executive, Government and External Affairs, NV Energy, introduced Gary Smith, Project Director, Smart Technologies. She said that Mr. Smith would present information on the Smart Grid. In addition, Jack McGinley**,** Renewable Energy Development Director, would discuss job creation in the renewable energy area, and John Owens**,** Director, Customer Renewable Generation and Energy, would discuss the solar renewable generations program.

Mr. Smith presented information about the advance service delivery project, which was a vision for the Smart Grid. He described it as a foundation infrastructure to help customers take ownership of their energy usage, and have the tools and information to do so.

Mr. Smith referred to page 2 of the Advance Service Delivery handout (Exhibit G), to show the new options to homes and businesses with the introduction of the Smart Grid. Some examples were new pricing options, or home area networks that showed daily energy use. Through the home area networks, the customers would be able to see how they were using energy on a daily basis. Mr. Smith said the concept was analogous to a gas pump. When a customer pumps gas, the price of a gallon of fuel was available, the customer knew how many gallons were put into the tank and how much was spent. When a consumer received the electric bill every 30 days, the consumer did not know until that point how much was used, or how much it costs. The Smart Meters would provide information for customers to use to make daily choices.

Mr. Smith said NV Energy applied for a statewide ARRA grant, for the north, south and rural areas for a program to run between 2010 and 2012. The program would serve 1.4 million electric and gas customers throughout the NV Energy service territory in Nevada, and would benefit 2.4 million Nevadans. The large scale project would bring information technology to each NV Energy customer. The program cost $301 million, with an NV Energy Investment of $163 million, and an ARRA-funded Smart Grid investment grant of $138 million.

Referring to page 4 (Exhibit G), Mr. Smith said the grant was very competitive. Over 400 utilities applied for the funding, and 100 utilities were selected. He said in October 2009, NV Energy was selected for a grant opportunity. The funding level was among the top ten in the nation. Of the 100 utilities, 14 were selected to go through the first round of negotiations, and NV Energy was the first utility to commence the grant negotiation process.

Mr. Smith explained that in March 2010, NV Energy came to an agreement with the DOE. NV Energy was required to meet four conditions prior to receiving the grant by providing the following plans: 1) a project execution plan; 2) a cyber security plan; 3) a metrics and performance plan; and, 4) a consumer behavior plan. The project execution plan was a cash flow schedule of the program implementation over the three-year period. The cyber security plan was very important, and NV Energy went through a thorough process to keep the customer data safe. That plan had been approved by the DOE. The metrics and performance plan would report the benefits of the program each quarter. NV Energy was one of nine utilities across the nation to perform a trial rate option for its customers. The voluntary trial gave customers new options to understand how they were using energy through different rates. In March 2010 the grant was difinitized. Since October 2009, there had been two quarterly reporting periods. Thus far, 19 positions had been created under the grant. The program would peak in March of 2011, with a workforce of over 140 employees helping to install the Smart Meters on every home and business throughout the State.

Chairwoman Smith asked if the people installing the meters were existing NV Energy employees, or newly hired employees. Mr. Smith said a third-party used a hiring hall to hire the installers from union local 396 in Southern Nevada and union local 1245 in Northern Nevada.

Mr. Smith continued, reporting that the plan was undergoing Public Utility Commission (PUC) review. Approval, or disapproval, would not be given until August 2010. Under the conditions of the grant, NV Energy had to begin work, because it had only three years to perform the project. NV Energy was successful in negotiating with the DOE; if PUC approval was not granted, the funding that DOE had contributed to that point would not have to be refunded.

Mr. Smith defined the three primary benefits of the program as follows:

1) Customers would have information to make better decisions about their daily energy use. Customers could monitor their energy usage over the Internet, and view a projection of their bill through the end of the billing cycle. In addition, customers would be provided with alerts if the amount of the bill reached a certain threshold. There would also be a voluntary trial where customers could try different rate programs.

2) The cost benefit of the program would be recouped through operational savings. NV Energy had $35 million in annual operational savings under the Smart Grid program, as proposed with DOE. That was a reduction of over one million “truck rolls” from NV Energy each year going to homes and businesses to turn customers’ utilities on and off as they moved throughout the community. There were 17 million monthly meter reads each year. The technology also had detection devices to help manage theft from the network.

3) NV Energy could help customers under that program to cycle their air conditioning unit under the expanded demand response program, “Cool Share.” That would reduce peak demand, offset future expense and lower the customers’ bills at the same time. NV Energy and the DOE would put that on a new network where it would be more secure, reliable and scalable for the future. Under the DOE contract, NV Energy would be able to reduce another 145 megawatts of load by the end of 2012 as proposed. That wattage equaled about one-half of a power plant.

Mr. Smith noted that because the media has reported concerns about Smart Meters, the program would need to develop a thoughtful process to build consumer confidence in the new network. NV Energy would have to ensure that the process was secure, private, and accurate – and that the level of accuracy could be verified, so that the customer would take ownership of energy usage.

Referring to page 9 (Exhibit G), Mr. Smith said the customer could understand on a daily basis how they were using energy. There were energy alerts in addition to other optional rates to show whether the customer would benefit by using a different rate structure.

Assemblywoman Smith asked if the plan was only in place in locations that already had Internet service.

Mr. Smith said the information would be supplied via telephone by live agents as well so that all customers could have access to the data. He explained that some rural areas had no Internet access, and some customers would not have Internet access due to issues of affordability. That was why there were other alternatives for the customers to get the information by telephone, in-home displays, or smart phone.

Assemblywoman Smith asked whether the program was going only to places where customers already had access to the Internet.

Mr. Smith said the technology did not rely on the Internet. Rather, it used a radio frequency network of 144 sites using low-grade towers of an average height of 25 feet. The 900 megahertz system would transport two-way communication between the home or business and the NV Energy home office. At the end of deployment, all customers would have the first tier of information wherever they were in Nevada.

Mr. Smith said the schedule of the system deployment was on page 10 (Exhibit G). The process would begin with PUC approval in August 2010. He explained that NV Energy had been designing the system since October 2009 by putting together the key contracts and DOE agreements. The back office systems to support the infrastructure were being installed. Upon approval in August 2010, NV Energy would be putting out the first 10,000 meters for rigorous testing and field acceptance. That would happen between August and December 2010. NV Energy was in discussions with the University of Nevada, Reno for third-party testing of the accuracy of the meters. The University of Nevada, Las Vegas was performing pricing trial research. Mr. Smith expected the deployment in Las Vegas would be done by March of 2012 and in Northern Nevada by the end of 2012. The deployment schedule was aggressive, but the project was being implemented in a tactful and thoughtful way per the parameters of the DOE contract.

Chairwoman Smith asked if the new technology would do away with jobs for people that had collected that information from the meters, and whether those workers would be retrained to fill other jobs. Mr. Smith said most of the meter readers would be transferred to other roles. He explained that the meter read positions were entry level, and employees in those groups were usually promoted to other capacities. There was a 30 percent to 40 percent annual turnover in those positions. He said the program would create new jobs, mostly technicians performing a higher level of work.

Chairwoman Smith understood that some lower level jobs would be replaced with higher paying jobs that required more technology and training. Mr. Smith agreed that was correct.

Assemblyman Kelvin Atkinson asked if the meter readers would be the first to be trained to fill the new positions.

Mr. Smith explained that NV Energy and the local unions would first create a "hiring hall" for work on the installation of the smart readers. At the peak of the three-year project period, about 140 installers would be employed. The employees currently performing meter reading would be given the option to be trained to work on the installations, which was a different wage. At the same time, through attrition, some of those individuals would be promoted to other roles within the company. He said that NV Energy was being very thoughtful in how it treated its existing employees, and in working with the unions during this installation period.

Assemblyman Atkinson asked for the number of people who would be out of work due to the new technology. Mr. Smith said the net number of jobs to be eliminated was 188. However, 160 employees would be added, and there were other roles within the company to which employees could move.

Assemblyman Conklin asked whether demand would be affected once consumers were armed with the knowledge and ability to affect their own usage of electricity. He noted that over the past 20 years, NV Energy had built a demand model, which gave predictability based on past usage and peak times of the season. He asked, if one million consumers, over the course of one year, become armed with enough information to make smarter choices about their energy use, what would that do to the predictability of demand for NV Energy?

Mr. Smith said it would take time for customers to take ownership of their energy usage. He noted that studies showed a 10 percent to 20 percent savings if the average customer managed their energy use to reduce their bill. Some of that effect was incorporated into the model. He said NV Energy would continue to evaluate that effect, and there would be opportunities to revamp the model. The goal of the program was for the community to take ownership and reduce demand so that NV Energy did not need to produce more contracts or purchase energy in the short-term market.

Assemblyman Conklin knew that it was difficult to anticipate future demand for electricity. But if customers had the ability to track energy usage and rates, there would be an incentive to save energy. In a down market, instead of 15 percent savings, the savings might be 30 percent. There would be other economic incentives involved in a person's decision as to how much electricity they would use. He noted the short-term market from which NV Energy purchased energy was expensive. There were real potential savings for customers and for NV Energy, but there was also potential for greater instability in the price of electricity, because many people would make more intelligent decisions about their energy usage.

Mr. McGinley agreed that it was very difficult to predict future energy usage, especially with the current economy. He noted the project was going to be heard before the PUC, and the base load forecast would be part of that case. He explained that the forecast included sensitivity analysis of a high forecast where some growth was regained, and a lower forecast that assumed flat growth or a decline for a period. When NV Energy performed economic analysis on long-term planning, it incorporated a robust forecast.

Assemblyman Joe Hardy recalled that when water was conserved in Southern Nevada, the consumers owed less money, and the Southern Nevada Water Authority did not have enough money to cover its expenses. He asked if NV Energy anticipated that happening due to electricity conservation.

Mr. McGinley said the two utilities were very similar. NV Energy had fixed costs and variable costs based on the consumers' energy use. As consumers conserved energy, there would be less money for NV Energy to invest in capital. He explained the benefit of conservation by the consumer was that those capital expenditures were deferred.

Ms. Stokey noted a brochure was provided to Subcommittee members about NV Energy's renewable energy projects (Exhibit H) as well as a table listing the projects (Exhibit I). She said that Mr. McGinley would provide more information on the projects.

Mr. McGinley noted that the brochure (Exhibit H) included a map of the renewable energy projects in the State. The map overlapped a bit into Northern California where Sierra Pacific served some of the energy need. The map illustrated the company's 44 renewable energy projects, most of which were power contracts. He noted that the table (Exhibit I) listed the 44 projects. The projects highlighted in green were post-Renewable Portfolio Standard (RPS) era. The projects that were not highlighted had contracts in place prior to the RPS. He noted that Northern Nevada was blessed with lots of geothermal energy, and there were quite a few geothermal projects that had been in operation for some time.

Mr. McGinley said the table showed the number of jobs that were created as a result of the projects. He cautioned that the estimates were his, and if the developers disagreed, the data could be corrected. He said over the last five or six years, the Nevada Administrative Code, under which NV Energy's planning regulations were governed, required NV Energy to list the economic benefits of any long-term purchase of power agreement. He said the range of benefits was broad. One benefit was the addition of construction jobs and the ongoing operation jobs, as shown on the table (Exhibit I). He said the job information was taken from the developers' PUC filings. In the case where the data was not available because it occurred over five years ago, there was a double asterisk under the "status" column. The double asterisk meant that the number was an estimate based on similar projects for which actual data was available. Mr. McGinley said, for the new projects, the total number of construction jobs created was over 3,000, and there were just under 300 ongoing operational jobs created.

Returning to the map in the brochure (Exhibit H), Mr. McGinley said the bulk of the projects in Northern Nevada were geothermal, and two wind projects were under development (projects 43 and 44). Southern Nevada was the primary location for the bulk of the solar projects.

Assemblyman Conklin asked if the total megawatts was projected capacity or the actual deliverable. Mr. McGinley clarified that was the "nameplate" capacity of the generators. Often the projects did not perform to that level for a variety of reasons, such as ambient conditions. For example, many of the plants were air cooled by condensers. Rather than a using a cooling tower, fans were used to reduce water consumption.

Mr. McGinley explained that the system in the south amounted to roughly 5,800 megawatts and in the north, roughly 1,700 megawatts. Together, they totaled about 7,500 megawatts of capacity. Of that, 1,240 megawatts was from renewable energy, which was a huge percentage for a system of its size. In fact, NV Energy was ranked number one in solar and geothermal on a per capita basis. He said that was a significant statistic for which Nevada should be proud.

Mr. McGinley noted the table (Exhibit I) showed an increase in renewable energy of 491 megawatts since 2008. He compared that to the 500 megawatt capacity of one large combined cycle power plant. He said NV Energy procured renewable energy by seeking approval from the PUC for an annual RFP to buy power from the market. The Commission typically approved the procurement strategy. He explained that an annual RFP was issued and developers bid for geothermal, wind and other technologies. The RFP process allowed for the comparison of the bids. There was then a screening process followed by contract negotiations, and the resulting contracts were presented to the Commission. Referring to the list of renewable projects (Exhibit I), he noted there was a single asterisk associated with seven projects that were pending approval. He said the development cycle was ongoing. This year, for the first time, two RFPs were issued for bulk power over 1 megawatt. One RFP was issued in February 2010, and the results were received in April 2010. NV Energy was in the process of evaluating those bids. Another RFP would be issued in September 2010.

Assemblyman Conklin asked about the peak usage in the summer of 2009. In addition, he asked about the difference between the amount of energy the power company could produce, and what was being demanded by the users. He asked how much of the energy was produced by the power company, and how much was purchased from outside sources.

Mr. McGinley said he has worked in long-term planning for Sierra Pacific and NV Energy for 25 years, and there were many changes over the years. In the past, about 50 percent of the energy was generated by the utility, and about 50 percent was purchased on the open market through long-term contracts. Short-term contracts filled the void. In the last five to six years NV Energy has had enough capacity in the north so that 100 percent of capacity needs were met by internal generation, which included the long-term renewable contracts. In the north, there was no need to buy power, but it was necessary to buy fuel. He explained that the power plants ran primarily on natural gas or coal.

Mr. McGinley said there was a balance to be met as to whether it was more efficient to produce or purchase the power. If power was cheaper on the open market, as it often was in the Pacific Northwest, it would be purchased.

Mr. McGinley reported that NV Energy has been through the same transformation in Southern Nevada where roughly 3,500 megawatts of efficient natural gas fired generation was added. He explained that a power plant's efficiency was measured in "heat rate." For the amount of fuel that was put in, a certain number of kilowatt hours would be put out. Since the fleet of plants was new, the heat rate in Southern Nevada was among the best in the country. With the addition of 3,500 megawatts, NV Energy had about 5,500 megawatts of capacity in Southern Nevada. He explained that was several hundred megawatts less than demand in Southern Nevada. That number has improved from a gap of several thousand megawatts five years ago. Over the last five years, NV Energy has done much to stabilize the price of power in Nevada. The volatility in prices was diminished by managing the fuel component cost. He added that there were a variety of ways to mitigate the risk of volatility in fuel prices.

Chairwoman Smith asked whether the projects marked, "In Development" (Exhibit I) were under construction. Mr. McGinley replied that was correct.

Ms. Stokey introduced John Owens, Director, Customer Renewable Generation and Energy. Mr. Owens said he would give a quick update on the status of the demand-side management programs and renewable generations programs. He said on February 1, 2010, in Southern Nevada, NV Energy filed its integrated resource plan with the Commission. As his colleague mentioned, that was where NV Energy processed its plans for the future. The demand-side management application was pending before the Commission, and an order was expected on or before August 1, 2010. In Southern Nevada, NV Energy has proposed a three-year budget for demand-side management programs that total approximately $174 million over the three-year period. Of that amount roughly $64 million was for demand response programs. The demand response programs enabled customers to shift the time during which they consumed the product, but not necessarily change the level of consumption. He said $110 million was for demand-side management or energy efficiency programs. Those programs enabled customers to reduce consumption by putting in more efficient lighting or improving the energy efficiency of the homes and businesses that they own and operate.

Mr. Owens said NV Energy would file a three-year plan with the Commission on or before July 1, 2010. He estimated the request would be for $36 million over the three-year period for demand-side management energy efficiency programs in Northern Nevada.

Moving to the topic of renewable generations, Mr. Owens said NV Energy offered incentives to assist customers in deploying small scale solar, wind or hydro projects. In 2010 there was a terrific response to the offerings. The PUC recently directed NV Energy to release the next three program years' capacity for the solar generations program. That amount of capacity was roughly 13.4 megawatts. Applications were accepted on April 21, 2010. There were applications for about 35,000 kilowatts, or roughly triple the available capacity. In reviewing the applications, a number of errors and duplications were discovered and removed, leaving roughly 28,000 kilowatts. He said that was far greater than the amount available under the current program guidelines and regulations.

Mr. Owens said NV Energy has taken the following steps:

1) Released into the market the first program year of available capacity in order to get people working. That equaled approximately 46,000 kilowatts of capacity.

2) Filed a request with the PUC to deviate from the regulations that govern the program in order to allow NV Energy to release all of the remaining applied-for projects. NV Energy planned to award every application that was complete – all 28,000 kilowatts – to maximize the availability of the programs for customers. To do that, NV Energy would need to tap into the capacity available under the law in the fourth and fifth years of the overall program. That request was pending before the PUC. If the request was granted, NV Energy would have 880 projects in the pipeline.

Mr. Owens summarized that NV Energy had completed approximately 4,000 kilowatts in solar projects under the program. Another 8,800 kilowatts was awarded, but not yet completed. If the PUC approved the proposal, NV Energy would add roughly another 28,000 kilowatts to that figure. If all of projects were built, it would equate to roughly $100 million in incentives paid to customers under these programs.

Chairwoman Smith asked if some of the projects still in development might result in the hiring of more employees. She said that while the Subcommittee members were happy to see the economy beginning to recover, the lack of jobs was still a problem, especially in the construction area.

In addition, Chairwoman Smith asked how many RFPs were not yet released. Mr. Owens explained that there would be two RFPs in 2010. One RFP has been issued. The results were collected and would be reviewed over the summer and presented to the PUC in the fall. In September 2010, another RFP would be issued. He said that for the past eight or nine years, NV Energy had been issuing one RFP per year for renewable energy. NV Energy staff had good knowledge of what was on the market, the price points, and who was building the plants. Technology was changing, and prices were changing, so NV Energy would issue two RFPs in 2011 to try to capture some of those dynamics.

Chairwoman Smith asked for the timeframe from the point the contract was awarded to when construction workers were hired. Mr. Owens said that would depend on the project. For example, a geothermal plant could take seven years to come online. Geothermal was very risky and the cost of a well could be $5 million. The developer needed to acquire the land, obtain permits, perform the initial drilling and construct the facility. The land was usually managed by the Bureau of Land Management (BLM), which held auctions about once per year. The contractors bid on the property, after which there was more resource definement. Small wells would be drilled and a study of the geology would be made to get a sense of what was underneath the ground.

In response to a question about job creation from Chairwoman Smith, Mr. Owens said there were lots of contracts in different stages of the development cycle. He explained that contracts signed four years ago were now in construction. Contracts signed two years ago were in the permitting phase. He said the stages of development depended on the technology. For example, the wind energy contractors monitored the wind for at least a year. The more wind data that was gathered, the better the resource capability and accuracy of pricing. After the data was collected, a permit would be issued. If the project was on BLM property, it could take one or two years to get a permit. The construction cycle was faster. For solar, especially photovoltaic projects, the facilities could be built in four to six months.

There being no further questions, the Chairwoman moved to the next agenda item.

C. PRESENTATION BY REA250 ON COLLABORATIONS TO IMPLEMENT ENERGY EFFICIENCY AND RENEWABLE ENERGY PROJECTS FUNDED UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT.

Chairwoman Smith thought the Subcommittee would be interested in learning about renewable energy projects in the private sector.

Susan Clark, Ph.D., Founder, REA250, thanked the Subcommittee for the invitation to speak. She said that she and Don Clark, AIA, CEO of Cathexes Architecture saw an extraordinary possibility in Nevada's future. A possibility existed, however, that the status quo would not be likely to deliver the needed results. The necessary elements for a collective effort – public and private – were not in place.

She explained that Mr. Clark's background was in building design and development and surrounding activities. Her background was in facilitating and connecting the range of players needed to create results. She said she had worked in high-stakes, high-conflict facilitation for years, building collaborations that created innovative new solutions with a wide range of existing resources. From international developers to universities and schools, from federal, state, and local agencies to businesses, she brought together individuals who had not traditionally worked with each other, raised funds, set projects in motion, and supported the partners as they created amazing results.

Dr. Clark said she and Mr. Clark saw the need to draw others in to expand their knowledge pool and networks. They brought together a team of consultants that covered all bases – rural outreach, education, legal, commercial development, intellectual property management, environmental outreach, technology, cultural development, and financial experience and assets. They assembled a team with extensive networks reaching deep into the universe of Nevada stakeholders. Her organization began to reach out to major corporations and other early adopters to understand what was needed to transform Nevada and build a new renewable energy economy.

Dr. Clark said Dr. Jill Derby had planned to attend the meeting, but had another engagement. She said Dr. Derby led the REA250 education and outreach teams. Mr. Bob Shriver, former Economic Development Director, led the economic development and rural outreach teams, and Mr. Clark led the business and finance teams. She said the teams consisted of about 10 consultants who worked with REA250. She said that REA250 also had great staff, without whom they would not have been able to achieve as much.

Dr. Clark said REA250 struggled with what to call the firm and to define what the business did. It was not the usual business enterprise. To begin with, the initials “REA” stood for Renewable Energy Accelerator. The word "accelerator" was chosen because the organization made things happen with velocity by connecting the players, facilitating an integrated rapid process, providing needed logistical support, finding support when it was not immediately available, and generally moving things forward. She said REA250 also generated ideas and sought to inform and influence policy, so the concept of "think tank" was added.

Dr. Clark said the firm accomplished and learned a lot in the last year and a half. She said the staff was honored to facilitate agreements with the community colleges and both union and non-union apprenticeship programs in support of nimble, flexible, and integrated workforce training. She was pleased that North American Board of Energy Practitioners engaged the REA250 ideas on job-focused workforce training as part of its certification process. She was excited to work with K-12 programs as they built new educational models that incorporated renewable energy.

Dr. Clark said REA250 had a small grant from the U.S. Department of Labor that supported the further development of the company’s online eResource Centers. With this funding, REA250 was developing a new approach to the retraining of clean diesel mechanics. Using an innovative online software platform developed by a Nevadan and used internationally, REA250 supported the retraining of existing mechanics as soon as new technology under development came online. The company was working with the manufacturers to understand how to support their technology. By working with partners at Truckee Meadows Community College, the College of Southern Nevada, and Great Basin College, REA250 was learning from the faculty how to evolve the eResource Centers as a tool to keep technology current and transform the teaching environment. She said REA250 understood the need for support as Nevada’s communities faced energy efficiency mandates with very limited resources. Her organization was working on what it would take for all communities, especially in the rural areas, to embrace renewable energy generation. Her company has been working on a program to support small wind customers via a "concierge" type service.

Dr. Clark said her company had begun work with CB Richard Ellis' Global Sustainability Group, Morgan Stanley, Wells Fargo, and Southwest Gas in developing new models for commercial energy efficiency retrofits. She said over the last month, REA250 has been honored to collaborate with Sierra Nevada College at Lake Tahoe, Nevada's only four-year private liberal arts college, as well as with other private development groups to explore possibilities for collaboration with Siemens, USA through a proposed SNC/Siemens partnership.

She said that Mr. Clark and Mr. Shriver would talk about what they believed could happen when everyone worked together.

Mr. Shriver said part of the REA250 mission, and part of why he got involved, was to energize job opportunities, particularly in rural Nevada where there were fewer people and less expertise. The rural communities relied on their own intuitive strengths, but oftentimes did not have necessary resources for the implementation of energy efficiency and conservation block grant programs.

Mr. Shriver complimented Jim Groth and his staff at the Nevada State Energy Office for making the rural communities comfortable with the process. Mr. Shriver said, through the REA250 outreach programs Johnson Controls was selected as the energy service company. He said Johnson Controls had over $300 million in EECVG grants around the country. He toured most of Nevada with them, and that was how REA250 could get involved and help to accelerate the program.

Mr. Shriver said communities from Lincoln County, the City of Ely, Lovelock, Eureka, Mineral County, and Winnemucca all had the same desire – to get the process started and jobs created. By saving energy, over the long term, they would also save jobs in their own local governments.

Mr. Shriver said Johnson Controls could evaluate a system and explain exactly what was needed. He said part of the effort was to get the project development on course, so that when the monies were spent, they were spent correctly. He explained the amount of renewable energy savings, and the equipment, was guaranteed for a certain number of years. He explained that Johnson Controls hired local contractors whenever possible. For some of the smaller communities there were no certified electrical contractors, so some workers might be brought in, but they would be from Nevada based companies.

Don Clark, founder of REA250, and CEO of Cathexes Architecture, said as an architect, he was intimately familiar with the downturn in the construction industry in the State. His focus had been to accelerate private investment, development and partnerships in tangent with renewable energy and sustainable energy to move things forward in Nevada. One example was a company from Michigan called Autocore, which was considering relocating to Northern Nevada. Representatives from the company visited Northern Nevada in April 2010. REA250 staff introduced them to the Economic Development Authority of Western Nevada (EDAWN), and intellectual property and real estate contacts, and the company met with union contacts to discuss manufacturing and assembly. Autocore has now brought a Southern California company to meet with REA250 about moving to Northern Nevada. REA250 introduced them to a compatible technology and manufacturing company based in Northern Nevada, which was seeking to collaborate and expand its markets, technology and facilities. He explained that REA250 interconnected the players, whether public or private, to make something happen.

Mr. Clark said REA250 worked in all parts of the State, including the north, south and rural areas. These endeavors could help build success that crossed borders.

Dr. Clark referred to a handout regarding the eResource Center for Renewable Energy in Nevada (Exhibit K). She noted that Senator Harry Reid assisted in getting an appropriation for this purpose.

Chairwoman Smith said the State had problems with negative education and quality-of-life rankings, but REA250 was talking to people about the positive things in Nevada, and how the companies could be a part of helping to better the State. She thought it was important for the Subcommittee and the public to know that there was a group working to bring that money into the State. That gave hope that we are headed in a positive direction.

Dr. Clark added that innovation usually came from the private sector, but there was interest in building collaboration between state agencies. Several departments were working together in ways they had not in the past. She thought Jim Groth did a tremendous job at the Nevada State Office of Energy. There was a wide range of possibilities for public/private partnerships, and she was very excited to see that happening. For example, EDAWN has contracted with REA250 to develop a “green culture” guide for Northern Nevada.

Chairwoman Smith asked Dr. Clark whether she felt more optimistic now about attracting companies to the State than one year ago. Dr. Clark said that was true. She said several colleagues in California were aware of the work happening at REA250. The response from state officials in California was that the work in the public/private partnership in Nevada was ahead of California. She was very optimistic about the Blue Ribbon Commission on Education, and how REA250 was moving forward with its education programs. She said the acknowledgement that Nevada’s rankings were very low, and improvement was needed, was true leadership. She said REA250 would continue to move that forward.

Mr. Clark said that REA250 took the terms “stimulus” and “sustainability” seriously. He explained that REA250 used the initial funding – whether in education, renewable energy, or workforce training – to leverage the private entities to invest in something that was sustainable. He explained, if it were left up to the government to invest, it would not be sustainable. In response to Chairwoman Smith’s question about the change over the past year, he said that just in the last 60 days the change was dramatic.

There were no further question from the Subcommittee.

D. PRESENTATION ON INFORMATION REPORTED AS REQUIRED IN SECTION 1512 OF THE AMERICAN RECOVERY AND REINVESTMENT ACT FOR THE PERIOD ENDING MARCH 31, 2010.

Charles Harvey, State ARRA Director, said that the State of Nevada met its reporting requirements for the American Recovery And Reinvestment Act of 2009 (ARRA) funds that flowed to or through state agencies for the first quarter of 2010. Mr. Harvey noted that a summary of the report was made available to the Subcommittee members (Exhibit L).

Mr. Harvey said the ARRA Section 1512 quarterly report was subject to ongoing quality assurance and reconciliation by the ARRA state and federal agencies, and was therefore subject to continuous modification. The data contained in the summary was updated to comply with directives from federal agencies and reflected the most current guidance that the state ARRA office has received. He explained that ARRA financial data was calculated on a cumulative basis, while jobs data was calculated on a quarterly basis. For the first quarter of 2010, Nevada state agencies submitted over 500 reports on 178 projects detailing almost $920 million in ARRA awards. The 178 ARRA projects represented an increase of approximately 35 percent over the prior quarter, for which 132 projects were reported. The first quarter data also showed the expenditure of ARRA funds increased by almost $163 million over the previous period.

Mr. Harvey thought the divisions testifying before the Subcommittee might have used different terms to discuss jobs. According to federal guidance for ARRA funds, the Office was using a full time equivalent (FTE) calculation that reported the total hours worked in a quarter, funded by ARRA. For example, if an employee was hired and half of the salary was paid by ARRA funds, then one-half of an employee would be reported. He noted that a report from the Nevada Department of Transportation showed that during the first quarter of 2010, 1,223 employees were paid using ARRA funds. However, when the ARRA calculation was used, the number was reduced to 133.95 FTE positions.

Senator Horsford understood that although ARRA funds may have been used to provide funding for the development, if the employees working at the facility were not compensated using ARRA funds, they were not counted. He observed that development may not have existed had the ARRA funds not been invested. Mr. Harvey said that was correct.

Continuing, Mr. Harvey said that recipients across the State reported 4,770 ARRA funded jobs during the first quarter. That figure included both the jobs reported by state agencies that received and disbursed ARRA funds, as well as recipients that received funding directly from the federal government. More than 4,194, or 88 percent of the total jobs reported in the first quarter, were reported by state agencies. The vast majority of the jobs were in the education sector or the Department of Corrections, and were funded by State Fiscal Stabilization Funds. The Department of Health and Human Services and the Department of Transportation represented the next largest non-education sector job funders, with a combined total of 393 FTE jobs.

Mr. Harvey said the first quarter job totals represented a 63 percent increase over the previous quarter when 2,580 FTE jobs were reported. He noted that two of the four projects listed under the Department of Administration (Exhibit L) consisted of State Fiscal Stabilization Funds. In an effort to maintain uniformity with the federal Recovery.gov website, all projects were matched to the state agency designated as the grant recipient. In this case, the agency was the Department of Administration. The financial and jobs data associated with the State Fiscal Stabilization Funds were included in the totals for the Department of Administration. However, the positions were created or retained in the Department of Corrections, the Nevada Department of Education, or the Nevada System of Higher Education. Steps were taken to clearly annotate these grants on the website and provide an explanation to properly represent project activity.

Mr. Harvey noted the grant data was subject to ongoing revision and modification. Preliminary data for this quarter indicated that 6,589 jobs were funded. That number included 3,959 jobs attributed to NSHE. During the months of April and May 2010, the ARRA office worked with state and federal agencies to conduct quality assessments of the Section 1512 data. Many data elements were reviewed, questioned and ultimately revised. In one such review, the U.S. Department of Education directed the State to make adjustments to reflect timing issues with the Phase I and Phase II awards of State Fiscal Stabilization Funds. Adjustments were made to the award amount, the amount of expenditures, and the number of jobs created or saved. Almost 2,400 jobs that were initially reported for this quarter would now be reflected in the next reporting period. During another review, it was noted that the State was not receiving credit for two projects, because the primary place of performance was Steamboat Springs, Colorado. The Office was working with the Recovery Board to reflect all of the awards on the state ARRA website, as well as the federal Recovery.gov website.

Chairwoman Smith asked for further information about the out-of-state project. Mr. Harvey explained that the Recovery Board was using the zip code for the primary place of performance as the location of the job assignment. The work was actually taking place in Steamboat Springs, Colorado. Those two projects were not currently included in the Nevada report on the Recovery.gov website.

Senator Horsford asked whether the state ARRA office was working with the Controller's Office to coordinate compliance. Senator Horsford recalled there had been discrepancies in the information on the website, and asked if that would be corrected for the upcoming reporting period. Mr. Harvey said his office was working with the Controller's Office, and had implemented a bi-weekly meeting to share information. He said the two offices had recently worked together to make corrections to the website. He said that the state ARRA website was redesigned to be in concert with the federal Recovery.gov website. As a result, the state website was receiving data on the Section 1512 reports only, which left the non-Section 1512 reports with no data. His office was working with the Controller's Office to establish protocols to bring in accurate data on the non-Section 1512 reports.

There were no further questions from the Subcommittee.

E. INFORMATIONAL ITEM – REPORTS OF THE U.S. HOUSE OF REPRESENTATIVES, COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE, ON THE STATUS OF THE USE OF TRANSPORTATION AND INFRASTRUCTURE FUNDING UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT.

Chairwoman Smith noted there had been quite a bit in the media about the transportation infrastructure rankings (page 109, Exhibit A). She made note of two handouts that had been provided to the Subcommittee: Transportation and Infrastructure (T&I) Committee Transparency and Accountability Information provided by the Nevada Department of Transportation (NDOT) (Exhibit M), and Overview and Status of Recovery Act Grants provided by the Department of Conservation and Natural Resources (DCNR) (Exhibit N).

Mr. Harvey recalled that at the meeting of the Subcommittee on April 8, 2010, the Chairwoman requested copies of the reports included under tab E of the meeting packet (page 109, Exhibit A). Representatives from NDOT and DCNR were available to provide an update.

Scott Rawlins, Deputy Director, NDOT, said he would give an update on the ARRA transportation funding and usage across the State. He said when Congress passed ARRA, there was substantial discussion between state and local agencies, the Legislature and the State Transportation Board of Directors on the best use of the money, and how to meet the intent of the Act, which was to stimulate the economy. He said the Act required that 70 percent of Nevada's allocations be obligated to roads projects by June of 2009, with the remaining funding to be obligated by February of 2010. Not only did NDOT meet those deadlines, but was ranked third overall across the United States in obligating all of the ARRA transportation dollars within the State.

Mr. Rawlins said that NDOT wanted to give the greatest number of contractors the ability to participate in the ARRA funded projects and wanted the investment to create a wide variety of jobs. The funding was allocated to many smaller projects across Nevada on state and local roads. In total, there were 69 projects. There was at least one project in each county. All of the funding could have been spent on one single project, or a couple of multimillion dollar projects, but that would not have met the intent of stimulating the economy across the State, and providing the opportunity to many contractors to work on those projects.

Mr. Rawlins said the process of allocating the funds to the projects was transparent. He said that NDOT has made presentations to various public bodies and has provided information on its website. He said the reporting requirements for the ARRA projects were substantial and time consuming. The federal government tightened the oversight requirements and added additional reporting requirements when the money was granted. The majority of the projects were being delivered by local agencies. NDOT had been working with those agencies to help them through those processes and reporting requirements, and would continue to do that.

Referring to the Transportation and Infrastructure (T&I) Committee Transparency and Accountability Information (Exhibit M), Mr. Rawlins said the first page showed the rankings of the states based on various percentages of categories as of March 31, 2010. The second page was the backup information from which the T&I report was created. He said the third page showed the current backup information as of May 25, 2010, which showed that the funds were 100 percent advertised, 91.5 percent awarded, and 84.95 percent under construction, which was substantial progress. By the end of June 2010, it was expected that 100 percent of each category would be completed.

Mr. Rawlins said the summer of 2010 would be a very busy construction season. There were 60 ARRA projects, in addition to the regular work program across the State. Many people would be put to work, and the local communities would see a "trickle down" effect from those projects.

Chairwoman Smith asked if the projects had signage identifying them as ARRA funded. She said the local governments included that signage, and she thought it was important for the citizens to know where the funding was coming from.

Mr. Rawlins said that the State was taking the stance that the money would be better used to put people to work on the projects than to build signs indicating the funding source.

Chairwoman Smith noted that there were usually signs erected on site with the name of the project and the contractor. She could not imagine that signage cost that much. She said the funding has been important to the State, and it was frustrating that the citizens were not being informed about how the roads were being built.

Assemblyman Goicoechea asked if all of the contractors were from Nevada. Mr. Rawlins said that he has not checked that information for several months, but when he last checked, 99 percent of the contractors that bid were licensed within the State of Nevada, had been working in the State for over five years, and were considered to be local contractors.

Dave Emme, Nevada Division of Environmental Protection (NDEP), provided a handout to the members, Overview and Status of Recovery Act Grants provided by the Department of Conservation and Natural Resources, Division of Environmental Protection (Exhibit N).

Mr. Emme said the house T&I committee has jurisdiction over just one of the five ARRA grants that the agency received: the Clean Water State Revolving Loan Fund (CWSRF). He said the strategy was similar to NDOT's in that NDEP proposed to fund a number of smaller projects to distribute the money throughout the State. That process went a little bit slower than some of the other states that chose to allocate the funding to fewer projects. At the end of March 2010, NDEP reported 5 of the 13 CWSRF projects were under construction, which gave the State a fairly low ranking. The good news was that the ranking was fluid, and as of May 25, 2010, 11 of 13 projects were under construction. By mid-June 2010, all of the projects would be under construction.

Chairwoman Smith said that many of the projects were sorely needed in the rural areas, and she was glad to see the grant funds being put to good use.

There were no further questions from the Subcommittee.

F. INFORMATIONAL ITEM – RESPONSES FROM THE STATE DEPARTMENT OF EMPLOYMENT, TRAINING AND REHABILITATION TO QUESTIONS OF THE SUBCOMMITTEE AT THE APRIL 8, 2010, MEETING RELATING TO ALLOCATION AND ADMINISTRATION OF AMERICAN RECOVERY AND REINVESTMENT ACT FUNDING.

Mr. Ardell Galbreth, Deputy Director, Department of Employment, Training and Rehabilitation (DETR) said the response to questions from the April 8, 2011, Subcommittee meeting were on page 121 of the meeting packet (Exhibit A). There were no questions for Mr. Galbreth.

G. INFORMATIONAL ITEM – MONTHLY REPORT ON THE UNEMPLOYMENT INSURANCE TRUST FUND BALANCE PURSUANT TO THE REQUEST OF THE SUBCOMMITTEE.

Cindy Jones, Administrator of the Employment Security Division (ESD) and Deputy Director, DETR, reported that Nevada's Unemployment Insurance (UI) trust fund had accumulated a deficit of $397.5 million since the beginning of the recession, and that amount continued to grow. According to revised U.S. Department of Labor estimates, the states were expected borrow over $100 billion in total, as opposed to the previous estimate of $90 billion. She noted that Nevada was one of just 40 jurisdictions that were borrowing.

Assemblyman Hardy asked for information that was specific to Nevada. Ms. Jones said depending on the State's claims activity, and the State's tax structure in the upcoming years, the State could borrow anywhere from $800 million to $1.4 billion over the recession in total. That remained to be seen based on claims activity and the generation of tax revenues in upcoming years. The tax schedule was set by regulation each calendar year with input from the Employment Security Council and interested parties. She said a considerable amount of public input would go into the determination as to the strategy that DETR would employ to pay back those trust fund loans.

Assemblyman Hardy noted that the rate of unemployment has not declined, and the State was still paying out unemployment claims. He asked how much was paid out in the last two months. Ms. Jones said the amount varied between $16 million to $18 million per week in state unemployment benefits. In addition there was the federal Emergency Unemployment Compensation program, the state Extended Benefit program, and the additional federal $25 compensation program. All together, in the last two fiscal years to date, over $3 billion in benefits was paid out to Nevada's unemployed workers. Within the regular state benefit program, this fiscal year to date (FY 2010), $881 million has been paid out against expected revenues of $312 million. That was why the trust fund was in a deficit and had to borrow.

Assemblyman Hardy asked when the State would begin to pay back the interest and the principal. Ms. Jones said the principal and interest payments would begin in the fall of the second year in which the State had two years of outstanding loans. It was more complicated in that if the State had outstanding trust fund loans for more than two years, the federal government would automatically raise the State's federal unemployment insurance tax. She noted that during the recession in the 1980s, only 10 states were impacted by the automatic federal increase. Over the current recession, 26 states were expected to be impacted in the next year, and all 35 states that were borrowing were expected to be impacted by the increase in federal unemployment insurance tax in order to put funds toward the repayment of those loans. To repay the trust fund loans, there would be a combination of both increases in the state trust fund tax as well as increases in the federal trust fund tax via automatic triggers in federal law.

Assemblyman Hardy asked how much that increase would impact employers. Ms. Jones said that would depend on the tax strategy that was selected by the Employment Security Council. There were a variety of factors and scenarios to offer guidance to the Council in making their recommendations on the tax rates. There could be a slower increase in the tax rate to pay off the debt over a longer period, or the tax burden could be increased faster, and the debt would be repaid faster. For instance, if the current tax rate of 1.33 percent was maintained for the next nine years, the trust fund would end up borrowing about $1.54 billion, with interest of about $400 million. Conversely, if the tax rate was raised through 2014, the State's maximum borrowing would be reduced to the $800 million to $900 million range, with only $111,000 in interest.

Assemblyman Hardy asked how much the tax rate would need to be increased under the $800 million principal and $111,000 interest scenario. Ms. Jones said that would be an average tax rate of approximately 3 percent. She said the current average tax rate was 1.33 percent. She noted that the tax rates in Nevada and across the country for UI trust funds had been low. In general, rates across the country were below what was necessary to sustain a recession. She said Nevada went into the recession with a trust fund that met the minimum solvency requirements for both federal and state measures. Nevada had the second highest unemployment rate – second only to Michigan. She said the State could not have prepared to weather this storm. For comparison, she said the highest average tax rate that was experienced after the 1970s recession was 3.2 percent. That sort of a tax rate was not uncommon after a recessionary period in order to replenish a trust fund.

Assemblyman Goicoechea said he understood that, by statute, the State Unemployment Tax Act (SUTA) rate could only be increased once per year. Ms. Jones agreed and said that if the rate was raised during interim periods it would wreak havoc within the employer community.

Ms. Jones confirmed for Assemblyman Goicoechea that, by statute, the maximum SUTA rate was 5.4 percent, the minimum rate was .25 percent, and there were 18 tax brackets.

Assemblyman Goicoechea asked when the federal government would rate the SUTA tax. Mr. Larry Mosely, Director, DETR, responded that would occur in 2012. Ms. Jones clarified that the federal unemployment tax was collected by the Internal Revenue Service in 2012 for calendar year 2011. She said the first reduction in Federal Unemployment Tax Act (FUTA) offset credit was 0.3 percent, or approximately $21 per employee, per year, based on the taxable wage base of $7,000. She said there was discussion about raising the maximum taxable wage base for the FUTA at the federal level, because, as a result of this recession, those funds were depleted at the federal level, and FUTA was borrowing from the federal general fund to pay the extended benefits.

Assemblyman Goicoechea asked whether the State would have to repay the extended benefits from the federal government. Ms. Jones said the state Extended Benefit program could be complicated. She explained that the state Extended Benefit program was typically funded 50 percent state trust fund and 50 percent federal trust fund. However, through ARRA, that program was being funded 100 percent with the federal trust fund. The legislation enacted to support that provision was set to expire on June 2, 2010. She was hopeful that the federal government would move forward with those exemptions to both the federal unemployment insurance extensions, the 100 percent funding of the state Extended Benefit programs, and the $25 per week federal additional compensation program. She said talks were stalled, but Congress was working to get the legislation passed.

Assemblyman Goicoechea said that if the bill did not pass by June 2, 2010, the State would be responsible for half of the extended benefits and Ms. Jones agreed. She added the amount was approximately $325,000 per week. She said it was even more complicated in that the state Extended Benefit program triggered on and off, based on economic conditions in individual states. But, the federal extended unemployment programs were triggered by Congressional action based on economic conditions in the country. She asked the Subcommittee to recall that during the 2009 Legislative Session an optional triggering mechanism was put into Nevada statute that allowed the State to take advantage of the 100 percent federal funding and expand the program to 20 weeks. Once the 100 percent funding was gone, the State reverted to the old trigger. Because the State's unemployment rate was not rising at the same rate it had in the previous year, that program may trigger off in mid-June. If so, the State would only pay 50 percent for a few weeks, because the unemployment program would revert to the basic 26 weeks.

Assemblyman Goicoechea noted that a large number of people would lose benefits, and Ms. Jones confirmed that was correct.

Assemblyman Conklin noted that the legislators were concerned about how to address the deficit that was created as a result of this mandated program. He said the State had an obligation based on federal law, but in fulfilling the obligation, the State was creating debt.

Ms. Jones said the Employment Security Council would conduct a public hearing in addition to the normal council meeting in July or August, and that she would be happy to send that information to the Subcommittee. The meeting was an educational forum that went into the topic in more depth. She said that the current unemployment environment was more complicated than any Nevada's UI program had ever faced.

Assemblyman Conklin asked whether the estimates given to Assemblyman Hardy as to how much debt would accrue over the next nine years assumed increases in employment. He noted that, with unemployment being high, but level, small increases in FUTA or SUTA would have an accelerating effect in revenue gains, because as the economy recovered and more jobs were added, the revenue generated would increase.

Ms. Jones noted that the models included projections for employment gains, decreased benefit payments, and increased revenue from contributions or taxes. It was difficult to project exactly how much the State would have to pay back, because there were so many factors over which the State had no control. She said it was a very complicated topic.

Mr. Mosely said that one major problem was that there were no statutory provisions in NRS 612 with an interest repayment component. Because federal statute limited the State's options for repayment, the interest would have to be paid through some other type of assessment. He did not feel the unemployment rate would drop in the next six months. His staff was analyzing those factors, looking at the components to be repaid, and would consider a variety of options to present to the Council.

Chairwoman Smith asked about the deadline for developing a plan to repay the loans. Ms. Jones replied that the first interest payment would be due to the U.S. Department of Labor in the fall of 2011. One of the options was to establish, statutorily, an assessment process to collect those funds, because the State could not pay interest with regular trust fund collections. She said failure to meet the deadline could have adverse consequences, including decertification of the State's programs, and the federal government not allowing the State to borrow more money to pay unemployment insurance benefits, while the State's obligation to pay those benefits remained. It was important that the State not miss that first interest payment.

Chairwoman Smith asked for the amount of the first interest payment. Ms. Jones said depending on how much was borrowed, and how the interest rate fluctuated, it would be anywhere from $65 million to $90 million. Chairwoman Smith noted it would take some time to collect that amount in assessments.

Ms. Jones said the unemployment rate was rising, but claims were not rising at the same rate. That was good news for the trust fund, but not necessarily for the State's workers. Part of that leveling could be caused by new entrance into the job market, or people who had previously given up looking for work coming back into the job market.

Assemblyman Hardy asked if the calculation to arrive at the FUTA increase of 0.3 percent to $21 per employee per year was the same calculation that would be used for the SUTA. He said if a business had one employee the amount would be $140 per employee per year. Ms. Jones replied that the FUTA tax increase would be more complicated to calculate. She explained that the taxable wage base for FUTA was capped at $7,000. The taxable wage base for SUTA was $24,000, and was adjusted annually based on the average wage in the State. The SUTA rate would depend on which of the 18 tax brackets an employee was classified under, but FUTA was a flat rate. It would be difficult to identify the average rate, but she could calculate averages based on various scenarios of 1.3323 percent, against $24,000. Assemblyman Hardy said when a business made hiring plans, it would need to know the risk. He asked Ms. Jones to provide that calculation to Fiscal Division staff.

Chairwoman Smith said that the Subcommittee would look forward to receiving that information. There were no further questions from the Subcommittee.

H. PUBLIC COMMENT.

There was no public comment.

I. ADJOURNMENT.

The meeting was adjourned at 5:31 p.m.

Respectfully submitted,

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Becky Lowe, Transcribing Secretary

APPROVED:

____
Assemblywoman Debbie Smith, Chairwoman

Date:_______________________________

Copies of exhibits mentioned in these minutes are on file in the Fiscal Analysis Division at the Legislative Counsel Bureau, Carson City, Nevada. The division may be contacted at (775) 684-6821.