

**Senate Committee on Finance
CLOSING LIST #6
April 13, 2015**

<u>BUDGET ACCOUNT</u>	<u>EXECUTIVE BUDGET PAGE</u>
	<u>Volume I</u>
<u>Commission on Judicial Discipline</u>	
Judicial Discipline (101-1497)	JUDICIAL-84
<u>Gaming Control Board</u>	
Gaming Control Board (101-4061)	GAMING CONTROL BOARD-9
Gaming Commission (101-4067)	GAMING CONTROL BOARD-19
Gaming Control Board Investigation Fund (244-4063)	GAMING CONTROL BOARD-23
<u>Governor's Office of Energy</u>	
Governor's Office of Energy (101-4868)	ELECTED-18
Renewable Energy Fund (101-4869)	ELECTED-24
Renewable Energy, Efficiency and Conservation Loan (101-4875)	ELECTED-27
	<u>Volume III</u>
<u>Department of Conservation and Natural Resources</u>	
<u>Historic Preservation</u>	
State Historic Preservation Office (101-4205)	DCNR-9
Comstock Historic District (101-5030)	DCNR-15
<u>Forestry Division</u>	
Forestry Inter-Governmental Agreements (101-4227)	DCNR-104
Forestry Nurseries (257-4235)	DCNR-112
<u>State Lands</u>	
Nevada Tahoe Regional Planning Agency (101-4166)	DCNR-136
<u>Environmental Protection</u>	
State Environmental Commission (101-4149)	DCNR-161
Mining Regulation/Reclamation (101-3188)	DCNR-189
State Revolving Fund – Admin (746-3189)	DCNR-194
Water Quality Planning (101-3193)	DCNR-199
Safe Drinking Water Regulatory Program (101-3197)	DCNR-204
Water Planning Cap Improvement (101-4155)	DCNR-209

Title: JUDICIAL DISCIPLINE
 Account: 101 - 1497

Budget Page: JUDICIAL-84, Volume I

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(56,532)						
GENERAL FUND	647,511	643,129	(0.68)	837,860	30.28	792,436	(5.42)
INTERIM FINANCE	170,272						
Total Revenues	761,251	643,129	(15.52)	837,860	30.28	792,436	(5.42)
Total FTE		3.51		4.00		4.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
E247	00	2501	Decrease General Fund appropriations and adjust Amendment A150001497 to isolate training costs for the new Associate General Counsel	(2,145)	(1,986)
E247	00	2501	Decrease General Fund appropriations and adjust Amendment A150001497 to isolate in-state travel costs for the new Associate General Counsel	(818)	(818)
E247	00	2501	Decrease General Fund appropriations and adjust Amendment A150001497 to isolate out-of-state travel costs for the new Associate General Counsel	(1,617)	(1,617)
E247	00	2501	Increase General Fund appropriations to increase travel and training, Amendment A150001497	16,728	16,728
E250	00	2501	Increase General Fund appropriations and adjust Amendment A150001497 to provide operating supplies	77	500
E250	00	2501	Increase General Fund appropriations and adjust Amendment A150001497 to isolate in-state travel costs for the new Associate General Counsel	818	818
E250	00	2501	Increase General Fund appropriations and adjust Amendment A150001497 to isolate training costs for the new Associate General Counsel	2,145	1,986
E250	00	2501	Increase General Fund appropriations for a new Associate General Counsel, Amendment A150001497	73,315	98,773
E250	00	2501	Increase General Fund appropriations and adjust Amendment A150001497 to isolate out-of-state travel costs for the new Associate General Counsel	1,617	1,617
E250	00	2501	Decrease General Fund appropriations for contract service costs with the addition of a new Associate General Counsel	(70,000)	(100,000)
E849	00	2501	Increase General Fund appropriations to increase the salary of a non-classified position, Amendment A150001497	16,035	15,932
Sub-total				36,155	31,933
Line Item Changes to Revenues				36,155	31,933

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
E247	02	6000	Adjust Amendment A150001497 to isolate out-of-state travel costs from training costs	10,909	10,909
E247	02	6000	Adjust Amendment A150001497 to isolate out-of-state travel costs for the new Associate General Counsel	(1,617)	(1,617)
E247	03	6000	Adjust Amendment A150001497 to isolate in-state travel costs from training costs	1,839	3,238
E247	03	6000	Adjust Amendment A150001497 to isolate in-state travel costs for the new Associate General Counsel	(818)	(818)
E247	30	6000	Adjust Amendment A150001497 to isolate in-state travel costs	(1,839)	(3,238)
E247	30	6000	Adjust Amendment A150001497 to isolate out-of-state travel costs from training costs	(10,909)	(10,909)
E247	30	6000	Adjust Amendment A150001497 to isolate training costs for the	(1,550)	(151)

			new Associate General Counsel		
E247	30	6000	Increase training costs, Amendment A150001497	14,298	14,298
E247	30	7000	Adjust Amendment A150001497 to isolate training costs for the new Associate General Counsel	(595)	(1,835)
E247	30	7000	Increase training costs, Amendment A150001497	2,430	2,430
E250	01	5000	Amendment A150001497 to add a new Associate General Counsel position	103,382	136,093
E250	02	6000	Adjust Amendment A150001497 to isolate out-of-state travel costs for the new Associate General Counsel	1,617	1,617
E250	03	6000	Add in-state travel for a new Associate General Counsel, Amendment A150001497	2,140	2,140
E250	03	6000	Adjust Amendment A150001497 to isolate in-state travel costs for the new Associate General Counsel	818	818
E250	04	7000	Add IT costs for a new Associate General Counsel, Amendment A150001497	115	
E250	04	7000	Add operating costs for a new Associate General Counsel, Amendment A150001497	(40,934)	(39,718)
E250	04	7000	Eliminate contract service costs with the addition of a new Associate General Counsel	(70,000)	(100,000)
E250	05	8000	Add equipment costs for a new Associate General Counsel, Amendment A150001497	2,970	
E250	26	7000	Add IT costs for a new Associate General Counsel, Amendment A150001497	1,670	758
E250	26	8000	Add IT costs for a new Associate General Counsel, Amendment A150001497	2,499	
E250	30	6000	Adjust Amendment A150001497 to isolate training costs for the new Associate General Counsel	2,145	1,986
E250	30	7000	Add training costs for a new Associate General Counsel, Amendment A150001497	1,550	
E849	01	5000	Amendment A150001497 to increase the salary of a non-classified position	16,035	15,932
Sub-total				36,155	31,933
Line Item Changes to Expenditures				36,155	31,933
Total				0	0
Grand Total General Fund Impact of Closing Changes				36,155	31,933

Overview

Article 6, Section 21(5) of the Nevada Constitution created the Nevada Commission on Judicial Discipline (Commission) by constitutional amendment in 1976, which was charged with the responsibility of investigating allegations of misconduct, violations of the code of judicial conduct, and the disability of judges, justices of the peace, and municipal court judges. The seven-member Commission receives and investigates complaints against judges, disciplines judges as appropriate, and protects the independence and integrity of the judiciary. In addition, funding is provided in this budget for the Standing Committee on Judicial Ethics and Election Practices. This committee, which was created by Nevada Supreme Court Rule in December 1, 1997, is responsible for resolving ethical disputes that arise during campaigns for judiciary office and for providing judges and judicial office candidates advisory opinions regarding ethical matters that may arise due to judicial service or the elective or appointive process. Funding for the Commission on Judicial Discipline is entirely from the General Fund.

Major Closing Issues

1. Position Increases (New E-250 and E-249)
2. Non-Classified Salary Increase (New E-849)
3. Increased Travel and Training Funds (New E-247)

Discussion of Major Closing Issues

1. Position Increases:

- A. New Associate General Counsel (New E-250): The Executive Budget Office submitted Budget Amendment A150001497 on February 12, 2015, for Major Issues 1, 2, and 3. Through the budget amendment, the Governor's budget includes an increase in General Fund appropriations of \$172,088 over the 2015-17 biennium to add a new non-classified Associate General Counsel (AGC) and associated costs. The salary of the new AGC position is recommended at \$107,114 per fiscal year, which is comparable to a Senior Deputy Attorney General position.

The Commission indicates a rise in the number of complaints against judges, an increase in the number of complex cases, and media attention has prompted the request for an additional general counsel position. The new AGC position would focus on the less complex cases, provide assistance with general litigation matters, and provide a more timely response to inquiries from judges and aspirants to judicial office. Additionally, the new AGC position would provide the Executive Director/General Counsel (ED/GC) with additional time and resources for a more detailed oversight of the Commission's caseload and administrative office duties.

The Commission indicates the new AGC position would also allow the ED/GC to commit more time to providing training on judicial ethics issues as the Commission moves toward a "teach rather than catch" objective. Finally, the Commission indicates the new AGC would reduce costs since a dedicated state position would be more cost efficient than contracting for legal services. Included in the budget amendment is a reduction to contract services of \$89,796 over the 2015-17 biennium.

The new AGC position as included in the budget amendment, would be a non-classified position. *Nevada Revised Statutes* (NRS) 284.013 allows the Commission on Judicial Discipline as appointing authority of its employees, to set salaries "within the limits of the legislative appropriations or authorizations." Salaries for unclassified positions are established by the Legislature in the Unclassified Pay Bill. Whereas, salaries for non-classified positions are set at the discretion of the appointing authority. Fiscal staff notes that while the ED/GC position is included in the Unclassified Pay Bill, the three existing support positions serve in the non-classified status and are not included in the Unclassified Pay Bill. Establishment of the new AGC as a non-classified position would remove position oversight by the Legislature.

The amendment included travel and training costs related to the AGC in E-247. Generally, costs related to a new position are isolated in the decision unit with the recommended position to provide transparency and account for all costs related to that position. Pages 1 and 2 of the closing document reflect technical adjustments to link travel and training costs related to the AGC position.

- B. Increase Part-Time Position, to Full-Time (E-249, JUDICIAL-86 and 87): The Executive Budget includes General Fund appropriations of \$79,015 over the 2015-17 biennium to increase a vacant part-time non-classified Management Analyst position to full time. The Commission cites historical difficulty in recruiting and retaining for this part-time position, which has been vacant in excess of seven months. According to the Commission, qualified applicants are willing to accept part-time employment only until a full-time opportunity becomes available. The last incumbent occupied the position for just four months prior to moving to a full-time position within the Commission. Prior to that incumbent, the position was vacant in excess of two years. Fiscal staff would note that the vacancy during the 2011-13 biennium was due to a salary miscoding, which caused a salary shortfall.

Administrative duties and overflow office work have been completed by temporary contract employees. According to the *2014 Annual Report*, the Commission had a backlog of 137 cases at the beginning of 2014. As of March 13, 2015, the Commission indicates it had a backlog of 31 cases and 78 cases from FY 2015 were opened. The Commission indicates that in addition to

backlog and open cases, it has approximately 150 boxes of files, which need to be electronically archived to preserve case history. According to the Commission, the current file server has exceeded its storage capacity and staff is unable to continue the case archival processes at this time. Replacement of the server is included in the E-710 decision unit, which is discussed later in this document. Temporary contract employee expenditures of \$16,608 over the 2015-17 biennium are included in The Executive Budget to electronically archive cases. The Commission indicates that the increase to this part-time position would assist in the elimination of the backlog and the archiving of cases. Additionally, the Commission anticipates the elimination of the use of temporary contract employees at the end of the 2015-17 biennium.

In response to Fiscal staff questions, the Commission revised its original estimate of a reduction to contract services of \$89,796 over the 2015-17 biennium and indicated that an additional \$170,000 for contract services over the 2015-17 biennium (\$259,796 total), would be saved if both the new AGC is approved and the part-time position is increased to full-time. The Commission indicated it is unable to delineate the estimated savings between the new AGC position and the increase to the part-time position. These adjustments are reflected on the second page of this closing document.

If the Committee wishes to approve the new Associate General Counsel position and associated costs recommended in Budget Amendment A150001497, and the position increase to the existing part-time position, the Committee may wish to consider the following options:

- 1. Approve \$172,088 in General Fund appropriations for a new non-classified Associate General Counsel position and associated costs, including adjustments identified by Fiscal staff, increase General Fund appropriations by \$79,015 to increase the existing part-time position to full-time, and decrease General Fund appropriations by \$259,796 for contract services over the 2015-17 biennium. This option would result in a net decrease to General Fund appropriations of \$8,693 over the 2015-17 biennium.**
- 2. Approve \$172,088 in General Fund appropriations for a new unclassified Associate General Counsel position and associated costs, including adjustments identified by Fiscal staff, increase General Fund appropriations by \$79,015 to increase the existing part-time position to full-time, and decrease General Fund appropriations by \$259,796 for contract services over the 2015-17 biennium. This option would require the new Associate General Counsel position to be included in the Unclassified Pay Bill. This option would result in a net decrease to General Fund appropriations of \$8,693 over the 2015-17 biennium.**
2. Non-Classified Salary Increase (New E-849): The Governor's amended recommendation proposes to increase General Fund appropriations by \$31,967 over the 2015-17 biennium to support a salary increase for the non-classified Paralegal/Management Analyst (PMA) position. The Commission indicates that the PMA currently performs advanced technical work relating to case management, legal research, fiscal and budgetary analysis, personnel matters, policy and procedural development, and long-range planning. The Commission also indicates that this position supervises the remaining two office staff, and temporary contract staff as necessary, coordinates the agency's resources, updates procedures and manages the Commission's cases. A portion of the fiscal duties and certain personnel maintenance functions have been transferred to the Department of Administration, Division of Administrative Services (DAS). In response to Fiscal staff inquiries, the Commission indicates the services provided by the DAS comprise a small percentage of the oversight responsibilities assigned to the PMA.

Fiscal staff notes that the non-classified salary increase would be equivalent to an adjustment of a classified Management Analyst II, pay grade 35, to a Management Analyst IV, pay grade 39, or an increase of approximately 20 percent. By way of comparison, Legal Office Manager positions, pay grade 33, within the Office of the Attorney General, do not have fiscal responsibilities; the unclassified

Executive Assistant of the Commission on Ethics, pay grade 31 equivalent, has fiscal and personnel related duties, but not legal research duties; and the unclassified Executive Assistant for the Governor's Office of High Level Nuclear Waste, pay grade 31 equivalent, has fiscal and personnel related duties and legal research duties. The Commission indicates the proposed salary increase was modeled after the Management Analyst series.

Does the Committee wish to approve the recommended salary increase for the non-classified Paralegal/Management Analyst position?

3. Increased Travel and Training Funds (New E-247): The Governor's amended recommendation proposes an increase to General Fund appropriations of \$33,456 over the 2015-17 biennium to support additional travel and training funds for the ED/GC, five of the seven commissioners, and the new AGC. The Commission indicates the additional travel and training will further the Commission's goal to "teach rather than catch." The ED/GC and the new AGC would alternately attend trainings currently offered by the Judicial College, the Nevada Judicial Branch, and nationally recognized entities that provide training to judges and justices. Subsequently, the ED/GC and the new AGC would travel to provide trainings to judges and justices. Additionally, the Commission indicated five commissioners would attend a national judicial ethics training, which provides breakout sessions offering peer and trend discussions. Nevada has 189 judges and justices. In working with the Commission, Fiscal staff identified technical adjustments necessary to isolate travel from training costs, and move costs related to the new AGC to E-250. The adjustments are included on the first and second pages of this closing document.

Does the Committee wish to approve travel and training funds for the Executive Director/General Counsel and five commissioners, including technical adjustments identified by Fiscal staff?

Other Closing Items

1. Database Access (E-225, JUDICIAL-86): The Governor's budget includes General Fund appropriations of \$4,680 over the 2015-17 biennium to support access to the Federal Civil Judicial Procedure and Rules research database. The Commission indicates access to this research database is necessary to efficiently perform its mission. **This decision unit appears reasonable.**
2. Office Space (E-248, JUDICIAL-86): The Executive Budget includes General Fund appropriations of \$62,353 over the 2015-17 biennium to relocate the Commission within Carson City. The Commission indicates it has outgrown its current office space, has a limited area to conduct formal meetings or hearings, and telephone and data connections are antiquated. This decision unit includes relocation, additional office space, and replacement of the telephone system, a new projector, and audio/visual equipment to conduct trainings, hearings and meetings. **This decision unit appears reasonable.**
3. Replacement Equipment (E-710, JUDICIAL-87): The Governor's budget includes General Fund appropriations of \$12,335 over the 2015-17 biennium to replace a desktop computer, four flat panel monitors, a file server, a surge protector, and associated software. **This decision unit appears reasonable.**
4. Case and Document Management Software Replacement (E-711, JUDICIAL-87): The Governor's budget includes General Fund appropriations of \$19,496 over the 2015-17 biennium to replace a case and document software package. This decision unit also includes training, maintenance and support for the software package. **This decision unit appears reasonable.**

Fiscal staff recommends approval of all Other Closing Items as recommended by the Governor, and requests authority to make technical adjustments, as needed.

Title: GCB - GAMING CONTROL BOARD
 Account: 101 - 4061

Budget Page: GAMING CONTROL BOARD-9, Volume I

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	442,110	1,558,326	252.47				
GENERAL FUND	25,678,088	25,507,257	(0.67)	30,079,192	17.92	30,471,909	1.31
INTERAGENCY TRANSFER	11,537,248	14,106,813	22.27	13,037,810	(7.58)	13,002,142	(0.27)
OTHER FUND	2,237,851	1,931,539	(13.69)	2,132,149	10.39	2,265,735	6.27
REVERSIONS	(1,705,767)						
Total Revenues	38,189,530	43,103,935	12.87	45,249,151	4.98	45,739,786	1.08
Total FTE		407.00		403.00		404.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2501	Additional General Funds for technical adjustment to correct unclassified pay code for Executive Assistant	3,227	3,228
M300	00	2501	Additional General Funds for technical adjustment to correct unclassified pay code for Executive Assistant	15	23
E235	00	2501	Reduce General Funds to reflect removal of furniture	(5,940)	
E245	00	2501	Reduce General Funds to reflect removal of some new furnishings	(2,970)	
Sub-total				(5,668)	3,251
Line Item Changes to Revenues				(6,475)	3,251

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	01	5000	Increase Personnel Expenditures for technical adjustment to correct unclassified pay code for Executive Assistant	3,227	3,228
M300	01	5000	Increase Personnel Expenditures for technical adjustment to correct unclassified pay code for Executive Assistant	15	23
E235	04	8000	Reduce operating expenditures to reflect removal of furniture	(5,940)	
E245	04	8000	Reduce operating expenditures to reflect removal of some new furnishings	(2,970)	
Sub-total				(5,668)	3,251
Line Item Changes to Expenditures				(6,475)	3,251

Total				0	0
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Grand Total General Fund Impact of Closing Changes				(5,668)	3,251
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Overview

The Gaming Control Board (GCB) is responsible for regulating Nevada's gaming industry. The GCB's purpose is to protect the stability of the licensed gaming industry through investigations, licensure, and enforcement of laws and regulations to ensure the collection of gaming taxes and to maintain public confidence and trust in gaming. The GCB budget supports the activities of the GCB and the operating expenses for the Gaming Commission not supported by the Gaming Commission budget. The regulation of Nevada's gaming industry is conducted through a tiered system comprised of the GCB, the Nevada Gaming Commission and the Gaming Policy Committee. The GCB functions as the enforcement,

investigative, and regulatory agency. The Gaming Commission has final authority on all gaming matters. The 11-member Gaming Policy Committee serves as an advisory body and meets to examine and make recommendations on gaming policy. The GCB has six divisions: Administration, Audit, Enforcement, Investigations, Tax and License, and Technology.

The legislatively approved General Funds for FY 2015 totaled approximately \$25.5 million. General Funds in the Governor's recommended budget increase to \$30.1 million in FY 2016 and \$30.5 million in FY 2017. When compared to FY 2015, the recommend amount reflects increases of 17.9 percent and 19.5 percent, respectively. However, \$4.2 million of the recommended General Funds increase represents one-time funding due to the recommendation to continue a system upgrade.

Major Closing Issues

1. Alpha Migration Project – Phase 2
2. Increased Travel
3. Eliminate Ten Vacant Positions
4. Seven New Positions

Discussion of Major Closing Issues

1. Alpha Migration Project – Phase 2 (E-550 & E-555, GAMING CONTROL BOARD-14 & 15):
The Governor recommends General Funds totaling \$2.0 million in FY 2016 and \$2.1 million in FY 2017 for Phase 2 of the modernization project of the GCB's Alpha System (E-550), which hosts the GCB's most critical gaming applications. The agency indicates the legacy Alpha System is over 30 years old and was written in the COBOL programming language, which has been replaced by more efficient programming languages over the years. Hence, COBOL programmers needed to maintain the system are in short supply.

Phase 1, funded with a \$2.0 million one-shot appropriation by the 2013 Legislature, commenced in FY 2014. The agency indicated those funds were used primarily to purchase the project's infrastructure hardware and software; contract with a vendor to provide eight software development staff, including a project manager, application developers, database administrators, business analysts and quality assurance engineers; develop an overall project plan; gather user requirements and begin developing applications; develop and implement a data migration strategy; and prepare the first set of location information applications to go live during the first quarter of 2015.

In response to a request from the Assembly Committee on Ways and Means for more information about Phase 1 of the project, the GCB reported the project began in April 2014 with the selection of a vendor, Ciber, Inc. According to the agency, Phase I included the process of building a base system, which would be the platform on which future applications will be developed. In addition, Phase 1 included migrating all active location and licensing information to a new set of applications developed using current technology tools such as Microsoft.Net and Microsoft SQL Server. The agency reports the GCB/Ciber project team successfully completed Phase I on March 16, 2015, by going live with the first set of applications.

The current request for Phase 2 of \$4.1 million over the biennium would continue the funding of software development and include the development of additional applications to support the functional needs of the agency's six divisions. The entire project is expected to continue through 2019 and have an estimated overall cost of approximately \$11.0 million, with \$2.0 million having already been expended in the 2013-15 biennium through Phase 1.

Additionally, in Decision Module E-555, the Governor recommends General Funds totaling \$42,600 in each year of the 2015-17 biennium for staff associated with the alpha migration project to travel between Carson City and Las Vegas. The agency indicates the travel is needed to meet with end users and the GCB's in-house technology staff to ensure the resulting product would serve the regulatory needs. According to agency documentation, each trip would cost approximately \$1,420 with 30 trips of 5 days planned each year of the biennium. In response to a question asked during the Assembly Ways and Means budget hearing, the agency testified that videoconferencing would not always be applicable because of the amount of information that has to be exchanged between key personnel and system developers. The agency also testified that it has created a migration committee that meets to determine the most applicable programs that should be developed and the travel would allow the committee to meet with system users.

Does the Committee wish to approve the Governor’s recommendation of \$2.0 million in FY 2016 and \$2.1 million in FY 2017 for Phase 2 of the modernization project of the Gaming Control Board’s Alpha System? Does the Committee also wish to approve \$42,600 per year to fund staff travel in support of the project?

2. Increased Travel (E-225, GAMING CONTROL BOARD-11): The Governor recommends General Funds of \$73,502 in FY 2016 and \$92,807 in FY 2017 for increased in-state and out-of-state travel as follows:

<u>Purpose</u>	<u>FY 2016</u>	<u>FY 2017</u>
Out-of-State Travel	\$ 32,669	\$ 32,669
In-State Travel	\$ 40,833	\$ 60,138
Total	\$ 73,502	\$ 92,807

Out-of-State Travel

Additional out-of-state funding is sought for the three GCB members to travel to the International Association of Gaming Regulators (IAGR) annual conference, which is usually held at an overseas location. In addition, the GCB requests four trips for the three GCB members and three staff members to attend an undetermined conference(s). According to the agency, the recommended conferences are needed to maintain Nevada’s preferred gaming environment by providing regulatory expertise, and exposure to other gaming jurisdictions helps staff remain informed about relevant gaming issues. The out-of-state travel request also includes funding for two trips for gaming lab staff to visit other gaming jurisdictions. The GCB indicates the gaming lab staff visits would benefit Nevada by advancing the GCB’s gaming standards.

During the February 5, 2015, budget hearing before the Senate Committee on Finance, the GCB's chairman indicated that neither he nor the other two GCB members would be attending the IAGR conference in Peru in FY 2016. The Gaming Control Board’s budget was built with the assumption that three members would be traveling to the IAGR conference at a cost of \$21,669. Staff inquired whether the \$21,669 could be removed from the budget. The GCB responded that it prefers to replace the IAGR conference with three foreign trips, averaging approximately \$6,904 each trip, instead of removing the funding for the travel.

The proposed replacement trips are the International Association of Gaming Advisors (IAGA) conference, the International Olympic Committee in Switzerland, and an undetermined conference. According to the agency, the IAGA conference is an international conference for gaming attorneys, financial advisors, regulators and other gaming jurisdictions, both domestic and foreign. The agency reports the GCB would travel to Switzerland to participate in the Integrity Betting Intelligence System, which is a network established to monitor betting during Olympic Games. In general, the agency reports that travel to relevant conferences assists GCB members stay informed and prepared to

address gaming related issues. The replacement of the IAGR conference with three other conferences/meetings would reduce out-of-state travel expenditures recommended by the Governor by \$807 in FY 2016.

Staff notes the GCB spent \$2,544 out of \$5,711 that was budgeted for out-of-state travel in FY 2014. This recommendation for an additional \$32,669 is approximately 13 times greater than FY 2014 expenditures. Furthermore, a historical analysis of out-of-state expenditures shows the most the GCB spent on out-of-state travel over the last six years was \$15,186 in FY 2011, with an average of \$7,830 from FY 2008 through FY 2014. The GCB has indicated to staff that in past years, some out-of-state travel was incurred in the Investigation Fund budget in compliance with investigative travel; however, the GCB no longer wishes to fund travel using Investigation Funds, and the timing of a conference cannot be guaranteed to coincide with an ongoing investigation. The table below illustrates the legislatively approved out-of-state travel, actual expenditures, and the percent expended from FY 2008 through FY 2014.

Historic GCB Out-of-State Travel			
Fiscal Year	Legislatively Approved	Actual Expenditures	Percent Expended
FY 2008	\$28,753	\$12,272	43%
FY 2009	\$31,365	\$3,861	12%
FY 2010	\$31,732	\$9,430	30%
FY 2011	\$35,222	\$15,186	43%
FY 2012	\$18,620	\$2,164	12%
FY 2013	\$18,620	\$9,351	50%
FY 2014	\$5,711	\$2,544	45%
Average	\$24,289	\$7,830	

The table below details the 6 out-of-state trips for 11 GCB staff as originally recommended by the Governor and the revised travel requested by the agency in FY 2016.

Staff Member	Gov. Rec. Out-of-State Travel for FY 2016 and FY 2017					Revised Out-of-State Travel for FY 2016				
	Purpose	Number of			FY 2016 & 2017 Total	Purpose	Number of			FY 2016 Total
		Days	Trips	Staff			Days	Trips	Staff	
Board Members	IAGR - Foreign	8	1	3	\$21,669	IAGA – Foreign	8	1	1	\$7,484
						Meetings - Foreign	8	1	1	\$6,858
						IOC - Switzerland	8	1	1	\$6,370
Tech Div Staff	Lab Manager Meeting	3	1	2	\$2,072	Lab Manager Meeting	3	1	2	\$2,072
Board Members	Conferences - Domestic	3	1	3	\$4,464	Conferences -Domestic	3	1	3	\$4,539
Staff	Conferences - Domestic	3	1	3	\$4,464	Conferences -Domestic	3	1	3	\$4,539
Total		4	11	\$32,669	Total	6	11	\$31,862		

In-State Travel

The agency indicates additional in-state travel is needed to perform more out-of-town audits. The agency reports that based on its audit cycle, the Audit Division expects to perform audits at 14 out-of-town casinos in FY 2016 and 15 in FY 2017, compared to 12 in the base year. In the Tax and License Division, the agency reports 404 expected travel days in FY 2016 and 392 in FY 2017,

compared to 372 actual travel days in FY 2014. The agency has provided staff with the GCB's expected audit schedule, which details each planned trip and the expected cost.

The in-state travel request also includes an upgrade in fleet services rentals from five intermediate vehicles to five premium vehicles to enhance the safety of the Enforcement Division's staff in the transportation of criminal suspects. The GCB reports a larger vehicle would increase officer safety by placing more distance between the agent driving the vehicle and the suspect in custody. In addition, the agency indicates a larger backseat would reduce the potential for injury when placing and removing a handcuffed suspect in custody. The upgrade in fleet services would result in additional General Funds of \$2,700 over the 2015-17 biennium.

If the Committee wishes to provide General Funds for additional in-state and out-of-state travel, it could consider the following options:

- a) **Approve the Governor's recommendation, with an adjustment to accommodate the change in out-of-state travel to replace the 2016 IAGR with three foreign trips, of \$72,695 in FY 2016 and \$92,807 in FY 2017 for additional in-state and out-of-state travel. This option would reduce General Funds by \$807 in FY 2016.**
 - b) **Approve the Governor's recommendation, less the International Association of Gaming Regulators conference that the GCB indicated it would not be attending in FY 2016. Funding for this option would total \$51,833 in FY 2016 and \$92,807 in FY 2017 for additional in-state and out-of-state travel. This option would reduce General Funds by \$21,669 in FY 2016.**
3. Eliminate Ten Vacant Positions (E-230, GAMING CONTROL BOARD-12): The Governor recommends eliminating ten vacant unclassified Investigation Agent positions in the Investigations Division, which would result in a \$1.8 million reduction in Investigation Fees transfers over the 2015-17 biennium. The GCB notes a slowdown in gaming applications as a factor in the recommendation.

The Committee expressed concern that a supervisory position was not being eliminated in conjunction with the agent positions. In response to the inquiry, the agency reported that all supervisory positions were currently staffed with employees who have many years of gaming regulatory and investigative experience, and it would be cost prohibitive and irresponsible to layoff anyone currently in a supervisory role. The agency is concerned that singling out one of the supervisory positions for layoff could subject the GCB to wrongful termination litigation. However, the agency indicated that all open positions are reviewed to see if they are essential and need to be filled before filling a vacancy. Staff notes the latest supervisory position filled was in March 2014, and there were no open supervisory positions at the time this closing document was prepared.

Does the Committee wish to approve the Governor's recommendation to eliminate ten unclassified Investigation Agent positions in the Investigation Division?

4. Seven New Positions (E-235, E-240, E-245, GAMING CONTROL BOARD-12-14): The Governor recommends seven new positions funded with General Funds totaling \$1.3 million over the biennium. Details for each position type are discussed below.
 - a. Two New Unclassified Electronics Technicians (E-235): The Governor recommends General Funds totaling \$181,218 in FY 2016 and \$171,124 in FY 2017 to restore funding for two unclassified Electronics Technician positions and related costs that were eliminated during the 2011 Legislative Session due to budget reductions. The agency reports that the cut in technician positions has resulted in inefficiencies in the gaming lab, including an increase in travel for a

Reno technician to assist with duties in Las Vegas, engineers performing technician duties, and a backlog of gaming equipment verification tasks. The agency has provided staff with statistics indicating that 3.8 positions are required to meet the workload in Las Vegas, and the agency currently has two Electronic Technicians located in Las Vegas. **The estimates appear reasonable to staff.**

Staff notes that in conversation with the agency, it was determined that two existing workstations are available for the two unclassified Electronic Technicians because these positions existed prior to FY 2012; therefore, \$5,940 for new furnishings was removed as a technical adjustment. This adjustment is reflected in this closing document.

Does the Committee wish to approve the Governor's recommendation for two unclassified Electronic Technician positions, including the technical adjustment in FY 2016 to remove \$5,940 in new furnishings? As adjusted, the addition of the positions would require General Funds of \$175,278 in FY 2016 and \$171,124 in FY 2017.

- b. Two New Unclassified Network Specialists (E-240): The Governor recommends General Funds totaling \$109,352 in FY 2016 and \$211,772 in FY 2017 for two unclassified Network Specialist positions and related costs. The agency indicates these positions would provide support for the network and hardware projects, respond to help desk issues, and support the GCB's videoconferencing systems. Furthermore, the agency reports that as part of the IT team, these positions would assist in determining and implementing IT security, assist in determining backup methods for users, support physical network infrastructure, and identify and assist in IT strategies to enhance the GCB's IT support. One position is recommended to begin in FY 2016 and the other in FY 2017.

During testimony to the Senate Finance Committee, the agency indicated that the GCB's new online tax payment system would require additional network positions with network security duties. The agency has provided documentation indicating 20 additional pieces of network equipment and software have been purchased since 2007. In addition, the GCB has provided data showing the requests for IT support have more than doubled from 2,037 in 2008 to 4,284 in 2015. Staff notes the number of Network Specialists approved by the 2007 Legislature was five, compared to four Network Specialists approved by the 2013 Legislature.

Does the Committee wish to approve the Governor's recommendation to provide General Funds of \$109,352 in FY 2016 and \$211,772 in FY 2017 for two unclassified Network Specialists positions?

- c. Three New Unclassified Enforcement Agents (E-245): The Governor recommends General Funds of \$304,221 in FY 2016 and \$289,662 in FY 2017 for three unclassified Enforcement Agent positions specializing in forensic investigations in the Enforcement Division. According to the agency, the current practice of outsourcing criminal cases involving electronic evidence/computer forensics has created confidentiality and security problems resulting in delays in completing investigations, and expanding technology in several gaming venues, in data centers, and online continue to increase cyber investigations. The GCB indicates these positions would contribute to criminal investigations and regulation of technology-driven gaming devices and other gaming platforms.

In correspondence with staff, the agency indicated the Enforcement Agents would be part of the Special Investigation Section of the Enforcement Division. Staff requested workload statistics from the GCB justifying support for three additional agents. The agency responded that not all casework

is recorded; therefore, the workload data is unreliable. However, the agency indicates the current team of seven members worked 1,535 hours of overtime in calendar year 2014. The agency also reports that since 2010, the Enforcement Division has lost 9.96 agent positions due to state budget reductions. Staff has verified the agent positions no longer exist in the GCB's budget.

In conversation with the agency, it was determined that one existing workstation was available for one unclassified Enforcement Agent; therefore \$2,970 for new furnishings was removed in FY 2016 as a technical adjustment. This closing document reflects this adjustment.

Does the Committee wish to approve the Governor's recommendation for three unclassified Enforcement Agents including a technical adjustment of \$2,970 to remove new furnishings? As adjusted, the addition of the positions would require General Funds of \$301,251 in FY 2016 and \$289,662 in FY 2017.

Other Items

1. Adjustment to Unclassified Employee Pay (Base, GAMING CONTROL BOARD-9): The Fiscal Analysis Division received notification from the Budget Office requesting an adjustment to the classification code for the unclassified Executive Assistant. The Budget Office and the agency indicated the class code was incorrectly entered into the budget system, resulting in an incorrect salary. With the correct classification code, the salary for the Executive Assistant will match the salary approved by the 2013 Legislature in the Unclassified Pay Bill. The closing document reflects this adjustment of \$3,242 in FY 2016 and \$3,251 in FY 2017. **Staff recommends approval of this technical adjustment.**
2. Training (E-227, GAMING CONTROL BOARD-11): The Governor recommends \$15,230 (\$4,448 General Funds) in each year of the biennium to reinstate elements of the Technology Division's training program. During FY 2014, the division was unable to use its training budget due to a staff shortage. The GCB indicates the training program is intended to keep staff up-to-date on current and emerging technologies in the field, and the lack of training would hamper the GCB's ability to evaluate the risk and benefits of new gaming technology. The GCB plans for one-third of its staff to complete online training as it provides greater flexibility with work schedules. **This recommendation appears reasonable.**
3. Ergonomic Equipment (E-229, GAMING CONTROL BOARD-12): The Governor recommends General Funds of \$1,250 in each year of the biennium to implement the ergonomic remedies suggested by Risk Management, including computer accessories, workstation adjustments, ergonomic chairs and adjustments to lighting. **This recommendation appears reasonable.**
4. Equipment Replacement (E-710, GAMING CONTROL BOARD-15 & 16): The Governor recommends General Funds totaling \$473,036 in FY 2016 and \$680,530 in FY 2017 to replace computer hardware and software. The GCB indicates the equipment is needed to limit exposure to data security issues; move toward server virtualization, thereby reducing the overall number of servers going forward; and avoid unfunded repair costs. The equipment replacement list includes 450 Office Suites, 297 desktops, 116 laptops, 34 switches, 23 servers, 13 routers and 7 firewalls. Committee members questioned the number of Office Suites needed in comparison to the number of replacement computers. In response, the agency indicated that it plans to upgrade all of the agency's computers to Microsoft Office 2016 in the 2015-17 biennium. **This recommendation appears reasonable.**
5. New Remote Verification Access (E-720, GAMING CONTROL BOARD-16): The Governor recommends General Funds of \$22,797 in FY 2016 and \$1,200 in FY 2017 to develop and implement a remote verification access system. The recommendation includes \$1,200 a year in ongoing costs to pay for Internet access for the GCB's gaming lab. The GCB indicates the remote verification system

would allow the gaming lab to authenticate software operating on a system based, system supported, mobile, or interactive gaming system without disrupting the day-to-day operation of such systems. Currently lab workers have to be physically at the site of the gaming device. The request includes three servers, and one of each of the following: switch, router, UPS, firewall and disk storage. **This recommendation appears reasonable.**

6. Reclassify Two Agent Positions (E-806, GAMING CONTROL BOARD-16): The Governor recommends increasing Investigation Fee transfers by \$21,089 in FY 2016 and \$21,108 in FY 2017 to reclassify two unclassified Investigation Agent positions to a Special Agent and a Senior Agent. The agency indicates the reclassified positions and other agents would form a team dedicated to timely review of licensees with a mandated corporate compliance program as defined by Nevada Gaming Commission, Regulation 5.045. Currently, the program is assigned to agents with higher priorities, resulting in delays of the reviews. The GCB also indicates the new team should be composed of a Special Agent and a Senior Agent because of the knowledge and experience needed to handle concurrent multiple investigations, which can be complex and/or high profile. **This recommendation appears reasonable.**
7. Unclassified Position Changes (E-811, GAMING CONTROL BOARD-17): The Governor recommends changing the job titles of two existing unclassified positions to align job titles with job duties. This recommendation is revenue neutral. An Audit Senior Agent would be reclassified to a Tax and License Senior Agent, and a Tax and License Agent would be reclassified to an Audit Agent. **This recommendation appears reasonable.**

Staff recommends approval of all Other Closing Items as recommended by the Governor with the technical adjustment noted by staff. Staff requests authority to make technical adjustments to this budget as necessary.

Title: GCB - GAMING COMMISSION
 Account: 101 - 4067

Budget Page: GAMING CONTROL BOARD-19, Volume I

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
GENERAL FUND	412,303	412,148	(0.04)	462,848	12.30	464,328	0.32
REVERSIONS	(53,133)						
Total Revenues	359,170	412,148	14.75	462,848	12.30	464,328	0.32
Total FTE		1.00		1.00		1.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Nevada Gaming Commission (Commission) is the final authority on licensing matters, having the ability to approve, restrict, limit, condition, deny, revoke or suspend any gaming license, as well as having the responsibility of adopting regulations to implement and enforce Nevada’s laws governing gaming. The 2001 Legislature authorized the creation of the Gaming Commission budget to support Commission salaries, one research staff position, operating costs, and travel costs in order to conduct research in developing policy related to gaming technology and regulations. The Gaming Commission budget is funded entirely with General Funds.

Major Closing Issues

1. Out-of-State Travel and Training
2. In-State Travel

Discussion of Major Closing Issues

1. Out-of-State Travel and Training (E-225, GAMING CONTROL BOARD-20): The Governor recommends General Funds of \$44,201 in each year of the biennium for two Commission members and the Commission Chairman to travel annually on two domestic trips and one foreign trip, and for one staff member to attend the Global Gaming Expo in Las Vegas. According to the agency, the out-of-state travel would provide the Commission an opportunity to sustain Nevada as the preferred gaming environment, gain exposure to other gaming jurisdictions, and present information on relevant

global gaming issues. The agency reports that based on existing market conditions, the Commission members would likely travel to Baltimore, Philadelphia, Boston or Washington D.C. In addition, the agency indicates the foreign trip would be to Macau, and include funding for a side-trip to Singapore to save on airfare. The training request includes an in-state trip for the Senior Research Specialist to attend the Global Gaming Expo (G2E) at a cost of \$2,587. The agency reports the Senior Research Specialist would benefit by attending the G2E by participating in seminars and witnessing the latest trends and insights affecting the gaming industry. The table below details the attendees, purpose, days and total trip costs.

Recommended Travel in Each Year of the 2015-17 Biennium					
Employee	Purpose	Days	Trips	Emp.	Total \$
Chairman	Domestic Meeting	6	1	1	3,562
NGC Member	Domestic Meeting	6	1	2	5,496
NGC Member	Foreign Meetings - Macau and Singapore	8	1	3	32,556
Sr. Research Specialist	Global Gaming Expo in Las Vegas	3	1	1	2,587
Total					44,201

In response to staff's inquires about the anticipated increase in out-of-state travel for the 2015-17 biennium, the agency indicated the Commission Chairman foresees the need for Commission members to travel out-of-state due to a concern that Nevada has had little presence on the worldwide stage for topics like wagering on sporting events, evolving gaming regulations in foreign countries and growth in gaming markets in the United States. Staff notes that from FY 2010 to FY 2013, the Commission had no out-of-state travel expenditures. The Commission spent \$2,356 on out-of-state travel in FY 2014, and the recommendation for an additional \$41,614 in each year is approximately 18 times higher than was spent in the base year. Out-of-state travel expenditures to date in FY 2015 total \$1,933. The agency reports that past budgetary constraints limited out-of-state travel. Staff examined out-of-state travel expenditures since FY 2008 in the Commission's budget, and found authorized expenditures never exceeded \$20,000 and actual expenditures never exceeded \$10,000.

If the Committee wishes to provide an increase in General Funds for out-of-state travel and training for the Nevada Gaming Commission budget, it could consider the following options:

- a) **Approve the Governor's recommendation to provide General Funds of \$44,201 in each year of the biennium; or**
 - b) **Reduce the Governor's recommendation by half, or another percentage, which would allow out-of-state travel, but at a level still higher than historical levels.**
2. In-State Travel (E-227, GAMING CONTROL BOARD-21): The Governor recommends General Funds of \$10,567 in FY 2016 and \$12,243 in FY 2017 for travel associated with holding an additional Commission meeting in Carson City. The agency indicated to staff that the Commission would like to hold additional meetings in Carson City to provide in-person service to gaming applicants and license holders living in Northern Nevada, as some prefer in-person meetings instead of teleconferencing. This recommendation also requests funding to allow the Commission's Senior Research Specialist two additional trips to Las Vegas to present research material and receive direction from the Commission. Currently, the Senior Research Specialist is based in Carson City and the Commission Chairman is based in Las Vegas. The agency indicates that monthly face-to-face meetings provide in-person interaction, which is needed to maintain a good working relationship between the Senior Research Specialist and the Commission Chairman. In addition, the recommendation contains funding in FY 2017 to allow the Commission's Chairman two trips to Carson City to attend budget hearings, testify to the Legislature, and participate in internal Gaming Control budget meetings in preparation for and

during the 2017 Legislative Session. Each trip is shown in the table below with the positions, purpose and expected cost for each planned trip, and how the enhancement recommendation was calculated.

In-State Travel in the 2015-17 Biennium						
Position	Purpose	Number of Trips		Cost Per Trip	Total	
		FY 2016	FY 2017		FY 2016	FY 2017
1 NGC Chairman	NGC Meeting	2	4	\$838	\$1,676	\$3,352
4 NGC Members	NGC Meeting	2	2	\$601	\$4,808	\$4,808
1 Sr. Research Specialist	Monthly Meeting	12	12	\$858	\$10,296	\$10,296
Total					\$16,780	\$18,456
Less base year amount					\$6,213	\$6,213
Governor Recommended Enhancement					\$10,567	\$12,243

Staff examined in-state travel expenditures and found the highest level of in-state travel expenditures in the Commission’s budget was \$13,612 in FY 2008; whereas, in-state travel authority would total \$16,780 in FY 2016 and \$18,456 in FY 2017 if this decision unit is approved. When questioned about the historical expenditures being lower than the recommended in-state expenditures in the 2015-17 biennium, the agency referred to the *Nevada Revised Statutes 463.029*, which states the meetings of the Commission may be held at the discretion of the Commission, at such times and places as it may deem convenient. The agency indicated that it would like to have funding available if the Commission wishes to hold meetings in Carson City.

Does the Committee wish to approve the Governor’s recommendation to provide General Funds totaling \$10,567 in FY 2016 and \$12,243 in FY 2017 for additional in-state travel?

Other Closing Items

1. Additional Registration Fees (E-229, GAMING CONTROL BOARD–21): The Governor recommends General Funds of \$7,475 in each year of the biennium for registration fees for five Commission members to attend the Global Gaming Expo (G2E) in Las Vegas. According to the agency, attendance at G2E allows the Commissioners to observe evolving technologies in gaming, as well as attend seminars in gaming regulatory topics, both of which are expected to benefit the Commission in regulating Nevada’s gaming industry. **This recommendation appears reasonable.**
2. Merchant Fees of Online Payments (E-250, GAMING CONTROL BOARD–21): The Governor recommends General Funds of \$3,000 in each year of the biennium to pay merchant fees associated with online payments of gaming taxes and fees. The board reports the online payment option began in FY 2015, and the State Treasurer’s Office indicates merchant fees are the responsibility of the agency collecting the money. The agency indicated to staff that this expense was included in the Gaming Commission budget, as opposed to the Gaming Control Board budget, because by law, the Gaming Commission collects the fees. **This recommendation appears reasonable.**

Staff recommends approval of Other Closing Items as recommended by the Governor. Staff requests authority to make technical adjustments to this budget as necessary.

Title: GCB - GAMING CONTROL BOARD INVESTIGATION FUND
 Account: 244 - 4063

Budget Page: GAMING CONTROL BOARD-23, Volume I

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD		2,000		2,000		2,000	
OTHER FUND	14,212,675	18,102,683	27.37	16,026,506	(11.47)	15,990,447	(0.22)
REVERSIONS	(1,183,212)						
Total Revenues	13,029,463	18,104,683	38.95	16,028,506	(11.47)	15,992,447	(0.22)

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

The Gaming Control Board (GCB) Investigative Fund, which is authorized by NRS 463.331, pays all expenses incurred by the GCB and the Gaming Commission for investigations related to applications for gaming licenses, findings of suitability, and approvals. The special revenue of the Investigative Fund is the money received by the state from gaming license applicants. By statute (NRS 463.331), any funds remaining at the end of the fiscal year in excess of \$2,000 must be deposited in the State General Fund within three months.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Upgrade Fleet Services Vehicle (E-225, GAMING CONTROL BOARD-24): The Governor recommends Investigation Fees of \$1,571 over the biennium to upgrade a fleet services' vehicle rental from a compact vehicle to an intermediate vehicle to provide agents traveling to various locations in Las Vegas and rural Southern Nevada with greater comfort and storage space. **This recommendation appears reasonable.**

2. Transfers to Gaming Control Budget (E-227, E-230, and E-806, GAMING CONTROL BOARD-25-26): These decision units adjust transfers of Investigation Fees revenue to the GCB budget (4061) based on recommended adjustments in the GCB budget for training, elimination of ten agent positions, and position reclassifications. **The Committee will be making decisions on these items in the Gaming Control Board budget (4061). Staff will ensure the Investigation Fund transfers in Decision Units E-227, E-230, and E-806 are consistent with the Committee's closing actions in the Gaming Control Board budget.**

Staff recommends this budget be closed as recommended by the Governor, with authority to make any necessary adjustments resulting from the Committee's closing actions on the Gaming Control Board budget (4061). Fiscal staff requests authority to make other technical adjustments as necessary.

Title: GOVERNOR'S OFFICE OF ENERGY
 Account: 101 - 4868

Budget Page: ELECTED-18, Volume I

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	1,140,578						
FEDERAL FUND	2,260,285	582,866	(74.21)	354,154	(39.24)	306,154	(13.55)
GENERAL FUND	115,774	100	(99.91)	100		100	
INTERAGENCY TRANSFER	508,207	1,087,796	114.05	1,192,559	9.63	1,322,150	10.87
OTHER FUND	45,000			66,000		66,000	
REVERSIONS	(115,774)						
Total Revenues	3,954,070	1,670,762	(57.75)	1,612,813	(3.47)	1,694,404	5.06
Total FTE		13.00		13.00		13.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total	0	0
Grand Total General Fund Impact of Closing Changes	0	0

Overview

The Governor's Office of Energy (GOE) is responsible for implementing the Governor's Nevada Energy Protection Plan and for serving as the state's point of contact with the U.S. Department of Energy's (DOE) State Energy Program (SEP). The GOE administers grants and contracts that promote the economic development of the state; encourages conservation and energy efficiency; encourages the development and utilization of Nevada's renewable energy resources; and promotes alternative fuel use in Nevada. The activities of the office include energy emergency support, energy policy formulation and implementation, technical assistance, public information and education, and administering the Renewable Energy Fund and the Renewable Energy, Efficiency and Conservation Loan Fund.

The Executive Budget recommends total funding for the GOE account of \$3.3 million over the 2015-17 biennium, a decrease of \$2.0 million when compared to authorized funding of \$5.3 million approved by the 2013 Legislature. The significant reduction in funding is primarily due to the expenditure of remaining federal funds associated with the American Reinvestment and Recovery Act (ARRA) of 2009 carried over from the 2011-13 biennium.

Major Closing Issue

Host Fund

Discussion of Major Closing Issue

Host Fund (E-227, ELECTED-21): The Executive Budget recommends transfers from the Renewable Energy Fund of \$1,000 in each year of the 2015-17 biennium to establish a Host Fund. The agency indicates the Director and other staff members are frequently invited to working lunches and dinners with clients, which include applicants and their representatives for tax abatement projects, and that it would be reasonable for these working meals to be paid for by the GOE. However, staff notes that as defined in the State Administrative Manual Section (SAM) 2636, this would be an inappropriate use of a Host Fund because Host Funds are for refreshments served to individuals in offices or at meetings and attendees of receptions, not for meals for state employees. In lieu of a Host Fund, the Committee directed staff to explore the possibility of providing the recommended funding for working lunches and dinners as per diem costs in a travel expenditure category. However, in exploring other options, staff has determined that SAM 0204 prohibits employees from receiving per diem reimbursements for meals purchased less than 50 miles from their official workstation. Accordingly, an adjustment to move the recommended expenditures from a Host Fund to per diem expenditures would not meet the needs of the agency. Staff notes that if the agency wishes to provide working lunch and dinner per diem reimbursement costs for instances greater than 50 miles from an employee's official workstation, it could pay these costs from existing travel funds or submit a work program to the Department of Administration to request an augmentation to this budget's travel expenditure category. **Staff does not recommend approval of the Governor's recommendation to establish a Host Fund in the GOE budget.**

Other Closing Items

1. Establish Travel Categories (E-225, E-226; ELECTED-20): The Governor recommends a total of \$21,696 in each year of the 2015-17 biennium to provide in state and out-of-state travel for the GOE. Staff notes that currently, the GOE budget does not contain expenditure categories for out-of-state travel or in-state travel; however, the Governor's recommendation would establish these expenditure categories in the GOE budget. The agency indicates it has incurred travel costs in the current biennium; however, those costs were paid from federal grants in special use expenditure categories that have, or will soon be, expired. Accordingly, in order to maintain agency travel at current levels, The Executive Budget recommends travel costs be funded from transfers from the Renewable Energy Fund at the same levels as incurred in FY 2014. **This recommendation appears reasonable.**
2. Replacement Equipment (E-710, ELECTED-21): The Executive Budget recommends transfers from the Renewable Energy Fund totaling \$17,802 over the 2015-17 biennium for replacement computer hardware, including five desktop PCs with monitors, one laptop PC with docking station, one file print server, one router, and one flat panel monitor. **This recommendation appears reasonable.**
3. Cost Allocation (E-804, ELECTED-22): The Executive Budget recommends transfers from the Renewable Energy Fund totaling \$892 over the biennium for services related to the Division of Human Resource Management's Centralized Agency Human Resource Services cost allocation. **This recommendation appears reasonable.**
4. Increased Transfers from the Renewable Energy Fund to Cover Operating Costs Previously Provided by Expiring Grants (Summary, ELECTED-22): The Governor recommends funding support for the GOE to include transfers of property tax collections from the Renewable Energy Fund totaling \$1.1 million in FY 2016 and \$1.3 million in FY 2017. Funds are transferred from the Renewable Energy Fund to the GOE budget in accordance with NRS 701A.450, which allows 25 percent of property tax collections in the Renewable Energy Fund to be used to support the staffing and operations of the GOE budget. The amount of funding transferred from the Renewable Energy Fund is recommended to increase from the FY 2014 level of \$403,283 because federal ARRA grants historically used to

supplement operating costs have expired, or will be expiring in the 2015-17 biennium. **This item is informational only and does not require action by the Committee.**

Does the Committee wish to approve all other closing items as recommended by the Governor, with authority to make technical adjustments to this budget as necessary?

Title: RENEWABLE ENERGY FUND
 Account: 101 - 4869

Budget Page: ELECTED-24, Volume I

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(2,939,812)	5,337,161	(281.55)	5,531,196	3.64	6,234,056	12.71
OTHER FUND	3,492,930	4,694,092	34.39	4,942,714	5.30	4,960,492	0.36
Total Revenues	553,118	10,031,253	1713.58	10,473,910	4.41	11,194,548	6.88

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

The Renewable Energy Fund was established by Assembly Bill 522 of the 2009 Legislature. As originally established, the Renewable Energy Fund received 45 percent of property taxes paid where an abatement had been granted to a renewable energy facility. Of the 45 percent portion directed into the Renewable Energy Fund, not less than 75 percent of that amount is required to be used to offset the cost of electricity to retail customers of a public utility that is subject to the portfolio standards established by the Public Utilities Commission (PUC). The remaining up to 25 percent of the property tax collections deposited into the fund may be used by the Director by regulation to support the operations of the Governor's Office of Energy (GOE).

The funding mechanism for the Renewable Energy Fund was modified by the 2013 Legislature through Assembly Bill 239, which eliminated the transfer of 45 percent of property taxes to the fund for projects approved after June 30, 2013. The original funding mechanism remains in place for projects approved prior to June 31, 2013, and this funding source will continue to be available until the associated abatement projects expire. As currently provided for in *Nevada Revised Statutes* 701A, all property taxes paid after June 30, 2013, for abatement projects will go directly to the associated local government, instead of a percentage going to the Renewable Energy Fund. The requirement that 75 percent of the money in the Renewable Energy Fund to offset certain electricity costs to retail customers remains in place, as is the ability of the Director to utilize 25 percent of the money in the fund to support operations of the GOE.

Major Closing Issues

1. DEAL Program
2. Base Budget Funding for Programs

Discussion of Major Closing Issues

1. DEAL Program (E-225; ELECTED-25): The Governor recommends the transfer of \$1.5 million in FY 2016 to the Weatherization budget in the Department of Business and Industry's Housing Division to establish the Direct Energy Assistance Loan (DEAL) program, which would help State of Nevada employees fund energy efficiency measures in their homes. In addition to the cost for the program, The Executive Budget recommends the receipt of \$200,000 in each year of the biennium as loan repayment funds received by DEAL program recipients. The Committee should note that Assembly Bill 466, which was referred to the Assembly Committee on Ways and Means on March 23, 2015, is required for the implementation of this recommendation by the Governor, as it would provide authority to initiate payroll deductions from state employees enrolled in the DEAL program.

As recommended, the DEAL program would provide State of Nevada employees an interest-free loan of up to \$6,000 that would be paid off via a monthly payroll deduction. The monthly payment would be either \$50 or \$100, dependent on the total project costs, and the maximum term would be 60 months. After an application is approved, a certified contractor would visit the employee's home and conduct an energy assessment. Once the assessment is complete, the employee would select energy efficiency improvements from the recommendations made. Upon completion of the work, the final invoice would be provided to and paid by the Housing Division. The GOE would then facilitate the payroll deduction with the Department of Administration to begin repayment of the loan. During the budget hearing, the GOE clarified that only employees who are customers of NV Energy are eligible to participate in the DEAL program because NRS 701A.450 requires that the money in the Renewable Energy Account must be used to offset the cost of electricity or the use of electricity by retail customers of a public utility that is subject to the portfolio standard established by the Public Utilities Commission of Nevada. According to the GOE, NV Energy is the only public utility company that currently meets this statutory requirement.

The GOE testified that the Weatherization program in the Nevada Housing Division already performs essentially all of the services associated with the proposed DEAL program as part of the agency's current Home Energy Retrofit Opportunity for Seniors (HEROS) program. Accordingly, the GOE indicated it would utilize the existing expertise possessed by the Housing Division, including existing equipment and the division's established delivery system, effectively avoiding start-up costs typically associated with establishing a new program.

The agency indicates the Nevada Housing Division would receive 6 percent of the total program costs for its role of program oversight and administration, which would include:

- Identify and contract with qualified service providers/subgrantees to carry out the DEAL program;
- Develop, manage and distribute monthly, quarterly, and annual reports required by the GOE;
- Manage monthly reimbursement of subgrantees;
- Conduct ongoing compliance field monitoring;
- Establish and manage training requirements and certification levels of subgrantee staff and licensed contractors;
- Incorporate the DEAL program into the Nevada Housing Division access database that tracks clients, efficiency measures and energy savings data;
- Provide training and technical support to subgrantee and contractor staff; and
- Verify calibrations of weatherization testing equipment, such as blower doors and combustion analyzers used by subgrantees and contractors.

The agency testified that in addition to the 6 percent of total program costs the Nevada Housing Division would receive for oversight and administration of the DEAL program, the amount the associated contractors could receive would be capped at 10 percent of the total costs for each project. Further, during the budget hearing the agency clarified that the Housing Division hires only licensed contractors who are Building Performance Institute (BPI) certified to perform installation of the selected eligible energy efficiency measures. The GOE has provided a list of the eligible energy savings options outlined below:

- Duct sealing
- Evaporative cooler cover
- Water heater blanket
- Attic insulation
- Air Conditioner replacement
- Furnace clean, tune, or repair
- Heat Pump clean, tune, or repair
- Elastomeric coating
- Duct insulation
- Shell sealing
- Exhaust fan w/dampers
- Dual pane windows
- CFL or LEF lighting retrofit
- Furnace 95% AFUE replacement
- Heat pump replacement
- Low flow showerhead or faucets
- Polyisocyanurate foam insulation
- Heat pump water heater
- Air Conditioner cover
- Broken window repair
- Solar screen (So. NV only)
- Energy Star refrigerator
- Air conditioner clean, tune, or repair
- Water heater replacement
- Water heater pipe wrap
- Floor insulation
- Programmable thermostat

In response to Committee questions during the budget hearing, the GOE has provided information indicating that the average per home expenditures for the DEAL program would be approximately \$3,500, which would enable the program to serve approximately 428 employees in the initial pilot phase during the 2015-17 biennium. The GOE also testified that the average home receiving energy savings measures through the DEAL program would realize annual savings of approximately \$600 per home.

Subsequent to the budget hearing, the GOE clarified that it will evaluate the effectiveness of the DEAL program through three monthly reports to be submitted to GOE from the Nevada Housing Division. These reports would include: 1) a monthly expenditure breakdown totaling the administration costs for the Nevada Housing Division and subgrantees, the amount spent to date, and the amount remaining to be spent; 2) a financial status report that would include the total amount spent to date and a request for future funds to the GOE for review and approval; and 3) a building weatherization report on behalf the subcontractors, detailing actual energy efficiency work performed on each participant's home. This report would be compared to the approved list of energy measures outlined in the agreement and include the amount of energy saved, size of the home, and work completed. The GOE indicates these reports would allow it to determine the energy savings per home, financial benefits per homeowner, and Nevada jobs and partnerships created.

The GOE indicates the DEAL program is the first known loan program of its kind offered by a public sector employer.

Does the Committee wish to approve the use of \$1.5 million of Renewable Energy Abatement Tax revenue held in reserves to implement the DEAL program as recommended by the Governor?

2. Base Budget Funding for Programs (Base, ELECTED-24): In Base, The Executive Budget recommends funding of \$1.6 million in each year of the 2015-17 biennium for two programs: the Performance Contract Audit Assistance Program (PCAAP) and the Home Energy Retrofit Opportunity for Seniors (HEROS). The agency indicates these programs were launched in the current biennium, and are just now getting established. Staff notes that the 2013 Legislature approved \$2.3 million in FY 2014 and \$3.5 million in FY 2015 for energy programs; however, the agency expended only \$149,835 in FY 2014 and only \$281,550 has been expended so far in FY 2015. In response to Committee questions about why expenditures for programs to offset the cost or use of electricity by retail customers were less in the current biennium than legislatively approved, the GOE cited three reasons: 1) the transition from the previous director to the new director delayed the implementation of

programs; 2) the time required to ramp-up the PCAAP and HEROS programs as the programs were being developed and policies and procedures put in place, and 3) the decision to defer the DEAL program to FY 2016. The GOE testified that the PCAAP and HEROS programs are currently operational.

PCAAP: Funding of \$1.0 million in each year of the biennium is included in The Executive Budget for the PCAAP program, which provides monetary assistance for Financial-Grade Operational Audits to eligible Nevada governmental entities (Counties, Cities, School Districts, State Colleges and Universities, State of Nevada Agencies) that choose to enter into a Performance Contract for Operating Cost Savings Measures (Energy Performance Contracting) in accordance with NRS 332.300 through 332.440. Energy Performance Contracting is a financing technique that uses cost savings from reduced energy consumption to repay the cost of installing energy conservation measures. Offered by Energy Service Companies (ESCOs), this financing technique allows building users to achieve energy savings without up-front capital expenses, because the costs of the energy improvements are borne by the ESCOs and paid back out of the realized energy savings. The agency indicates Energy Performance Contracting offers the opportunity for governmental entities to not only manage energy budgets, but to upgrade and modernize facilities, reduce the taxpayer burden of growing governmental energy budgets, incorporate the use of renewable energy, and create jobs in Nevada.

In response to Committee questions, the GOE indicated that the PCAAP program currently has one funded project for the Truckee Meadows Water Reclamation Facility, with a total project cost of \$25.0 million and projected annual energy savings of \$5.8 million. In addition, the agency indicates there are two pending program recipients: the City of Las Vegas Office of Sustainability, with a total project cost of \$609,991 and projected annual energy savings of \$643,399; and the Clark County Water Reclamation District, with a total project cost of \$7.5 million and projected annual energy savings of \$381,668.

HEROS: Funding of \$600,000 in each year of the biennium is included in The Executive Budget for the HEROS program, which assists with reducing energy costs for Nevada seniors by improving the energy efficiency of their homes. The GOE partners with the Nevada Housing Division, which administers the program, to provide these services at no cost to income qualified seniors, aged 60 or greater, who are NV Energy customers, own and reside in their own homes, and have income levels at or below 200 percent of the federal poverty level.

The GOE testified that the HEROS program is very similar to the recommended DEAL program; however, instead of providing energy savings measures to state employees, it provides them to income-qualified seniors. The agency indicated this program recently became fully operational and has served 40 homes to date, and expects to serve 125 homes before the end of FY 2015, expending approximately \$600,000. In addition, the GOE indicates the HEROS program is being evaluated on the same basic criteria as described for use by the recommended DEAL program.

Does the Committee wish to approve base budget expenditures of \$1.6 million in each year of the 2015-17 biennium for the PCAAP and HEROS programs as recommended by the Governor?

Other Closing Items

Funding Change in the FY 2013-15 Biennium and Reserves (Summary: ELECTED-25, 26): The Executive Budget includes projections of property tax collections from qualified facilities totaling \$4.7 million in each year of the 2015-17 biennium. Of that amount, \$3.1 million in FY 2016 and \$1.6 million in FY 2017 are recommended as part of the 75 percent of tax collections that must be used for projects to offset electricity costs, and \$1.1 million in FY 2016 and \$1.3 million in FY 2017 is recommended to transfer to the GOE budget as part of the 25 percent of collections that can be used to support staffing and operating

costs. Because the total program and administrative amounts recommended in The Executive Budget are less than the full 75 percent and 25 percent funding levels established in NRS 701A.450 for electricity offset programs and administrative costs, respectively, the balance of property tax collections totaling \$486,068 in FY 2016 and \$1.9 million in FY 2017 would be placed into reserves. Staff notes that the agency tracks the total property tax collections transferred into the Renewable Energy Fund to ensure that at least 75 percent is spent on projects to offset electricity costs, and no more than 25 percent is used to support the operations of the GOE.

As represented in The Executive Budget, the reserve level in the Renewable Energy Fund is projected to increase from \$5.5 million in at the end of FY 2015, to \$6.2 million at the end of FY 2016, and then to \$8.3 million at the end of FY 2017. The Committee should note that as mentioned in the Overview section, Assembly Bill 239 of the 2013 Legislature changed the funding mechanism for the Renewable Energy Fund so that it will continue to receive property tax collections from projects that were approved prior to June 30, 2013; however, it will not receive any property tax collections from projects approved after June 30, 2013. The GOE has indicated that 13 projects were approved prior to June 30, 2013, and the Renewable Energy Fund will only receive property tax transfers in future biennia related to these 13 projects. As a result, property tax amounts transferred to the Renewable Energy Fund will steadily decline over time, because the assessed valuation of the properties will also decline over the life of the abatements, which typically last for 20 years. Accordingly, the amounts available for projects to offset electricity costs and for transfers to the GOE budget to support operating costs will also decline over time.

During the budget hearing on March 9, 2015, the GOE indicated the funding change associated with Assembly Bill 239 of the 2013 Session would have a relatively small impact on the annual tax collection amounts deposited in the Renewable Energy Fund over the next few biennia. The GOE stated that because the abatement projects approved prior to the funding change have a typical life span of 20 years, the Renewable Energy Fund would continue to have a steady influx of revenue from these projects for that amount of time. The agency further indicated that while the amount of revenues would decrease somewhat over that time, this account should have sufficient revenue to fund associated projects for the foreseeable future. In response to Committee questions about how the GOE plans to utilize the large projected ending reserve of \$8.3 million in FY 2017, the GOE responded that the reserve balance has grown as a result of underutilization of programs due to the change in GOE leadership, program ramp-up, and deferral of the DEAL program to FY 2016. In addition, the GOE indicates it will explore adding more programs, as well as the possibility of increasing funding to the DEAL program and the HEROS program, which would significantly decrease reserves. Further, with the expiration of several federal grants in the GOE budget, the GOE indicated additional administrative costs will require appropriate increases in transfers from this budget to the GOE budget. **This item is for informational purposes only and does not require action by the Committee.**

Staff requests authority to make technical adjustments to this budget as necessary.

Title: RENEWABLE ENERGY, EFFICIENCY AND CONSERVATION LOAN
 Account: 101 - 4875

Budget Page: ELECTED-27, Volume I

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	412,865	1,343,592	225.43	1,347,835	0.32	446,842	(66.85)
FEDERAL FUND	123,774						
INTERAGENCY TRANSFER	1,116,040						
OTHER FUND	56,245	1,277,004	2170.43	235,291	(81.57)	235,609	0.14
Total Revenues	1,708,924	2,620,596	53.35	1,583,126	(39.59)	682,451	(56.89)

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

The 2009 Legislature authorized the creation of the Renewable Energy, Efficiency and Conservation Loan budget pursuant to NRS 701.545 to 701.595 for the purpose of granting low interest loans to renewable energy systems as defined in NRS 704.7815. The federal government initially granted \$8.2 million to the State of Nevada under the American Recovery and Reinvestment Act (ARRA) of 2009 to grant loans from the fund. In addition, the Interim Finance Committee approved four work program revisions in FY 2011 and FY 2012 that transferred an additional \$4.6 million in ARRA funds originally intended for program costs in the Nevada State Energy Office to the Loan Account. The purpose of the program is to create a sustainable revolving loan program to help Nevada meet its renewable energy portfolio standard goals, promote energy independence and create jobs by providing short-term, low cost loans to developers of renewable energy systems in Nevada. These loans serve as a bridge financing option to provide necessary funding for the various start-up costs associated with these projects. The loans are to be repaid once the projects reach a mature level and total project financing is in place. The program provides below market rate financing, at an interest rate of 3 percent, for projects that develop or expand renewable energy systems in Nevada for a term not to exceed 15 years. Loans are granted to the highest ranked applicants based on the number of jobs that will be created or retained, renewable energy generated, fossil fuel reduction, leveraging of additional financial resources, and readiness of the projects to be implemented.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Update on Loans Issued (Summary, ELECTED-27, 28): Staff notes that at the December 8, 2014, meeting of the Interim Finance Committee, the GOE submitted work programs that reduced the amount of loan repayment revenue the agency anticipated receiving in FY 2015 by \$2.9 million, from the \$4.0 million approved by the 2013 Legislature to \$1.2 million. The reduction in the anticipated loan repayment amount resulted in a corresponding reduction in the amount of funding anticipated to be available for energy loans from the \$3.4 million approved by the 2013 Legislature to \$1.2 million. The agency testified that the reductions in principal repayments were necessary because a number of loan applicants had not repaid their loans and were in default. The agency further testified that it had turned over the bulk of the defaulted loans to the Nevada Attorney General's Office to initiate legal actions to attempt to recoup the unpaid loan amounts. It was noted that the loans in default were made primarily in 2010 and 2011, and the more recent loans made by the agency were in good standing with the loan recipients making repayments.

Information submitted by the agency reports that as of March 2015, the agency has extended loans to 20 applicants since the program began in FY 2011, and that 5 of these loans have been repaid in full, 6 are active and making repayments, and 9 have discontinued making payments and are in default. The outstanding principal of the current loans is approximately \$2.6 million; however, the principal of the 9 defaulted loans is approximately \$12.2 million. The loss of the loan principal from the defaulted loans has significantly impacted the agency's ability to provide future loans for renewable energy systems.

Accordingly, The Executive Budget recommends loan repayments of \$182,586 in FY 2016 and \$188,064 in FY 2017, and loan disbursements of \$1.1 million in FY 2016 and \$140,904 in FY 2017. For comparison, the 2013 Legislature approved loan repayments of \$3.4 million in FY 2014 and \$4.0 million in FY 2015, and loan disbursements of \$1.3 million in FY 2014 and \$3.4 million in FY 2015. The Executive Budget also displays ending reserve balances decreasing from \$1.3 million in FY 2015 to \$446,842 in FY 2016 and \$494,002 in FY 2017.

During the budget hearing on March 9, 2015, the Committee requested additional information about the current and defaulted participants in the Renewable Energy, Efficiency, and Conservation Loan Program. In response, the agency has provided the following two tables showing the current loans and the loans in default:

Renewable Energy, Efficiency and Conservation Loan Program - Current Loans						
Project	Loan Date	Loan Amount	Total Paid Interest	Total Paid Principal	Principal Balance	Maturity Date
Madole , Loan # 06-001-2010	8/5/2010	\$45,497	\$2,387	\$29,621	\$15,876	11/30/2020
Desert Research Institute, Loan# 06-002-2013	11/26/2013	\$300,000	\$10,019	\$70,841	\$229,159	12/1/2018
Las Vegas, City of, Loan# 14-06-DH	6/27/2014	\$529,600	\$7,944	\$15,359	\$514,241	7/30/2028
Las Vegas, City of, Loan# 14-06-EY	6/27/2014	\$463,400	\$6,951	\$13,439	\$449,961	7/30/2028
Las Vegas, City of, Loan# 14-06-WY	6/27/2014	\$251,000	\$3,765	\$7,279	\$243,721	7/30/2028
Truckee Carson Irrigation District, Loan #07-014-2014	9/12/2014	\$1,200,000	\$17,800	\$0	\$1,200,000	4/15/2020
Totals		\$2,789,497	\$48,866	\$136,539	\$2,652,958	

Renewable Energy, Efficiency and Conservation Loan Program - Default Loans					
Project	Date	Loan Amount	Principal & Interest Owed*	Status	Notes
ATB Enterprises/Tim Brown	June 2010	\$42,930	\$29,261	Summary judgement entered	
Avatar (1)	June 2010	\$1,500,000	\$1,012,577	Summary judgement entered	Loan was not fully disbursed
Avatar C1-001-2010	Sept 2010	\$2,112,300	\$2,375,312	Summary judgement entered	
Avatar C2-001-2010-350	Sept 2010	\$1,836,595	\$2,065,279	Summary judgement entered	Loan was not fully disbursed
Sunburst Energy	May 2010	\$1,500,000	\$335,633	Summary judgement entered	Made all but last payment
Berken (1)	July 2010	\$1,700,000	\$1,678,773	Summary judgement entered	
Enigma Energy	July 2010	\$2,202,269	\$2,186,151	Summary judgement entered	Loan was not fully disbursed
H2 Technologies	Oct 2011	\$1,941,414	\$2,017,452	Summary judgement entered	Collateral seized; awaiting auction
Berken (2)	Mar 2012	\$1,000,000	\$533,596	Summary judgement entered	Loan was not fully disbursed
Total		\$13,835,508	\$12,234,034		

* Does not include penalties; as of last date of calculation for entry of Summary Judgement

The agency testified that while the loss of the loan principal from defaulted loans has had an impact on the program's ability to provide future loans, the program is currently operating, and will continue to operate, with the remaining funds to provide loans for renewable energy systems that meet the requisite guidelines.

This item is informational only and does not require action by the Committee.

2. Utilization of Interest Income for Administrative Costs (Summary, ELECTED-27, 28): The Governor recommends transferring interest income paid by loan recipients totaling \$48,461 in FY 2016 and \$42,985 in FY 2017 to the GOE administration budget to support staffing and administrative costs associated with the loan program. *Nevada Revised Statutes* 701.590 provides that the Director may use interest in the loan fund to defray, in whole or in part, the costs and expenses of administering this budget. During the budget hearing, the Committee expressed concern that the interest income amounts represented in The Executive Budget might be overstated due to the reduction of loans associated with the loss of loan principal from loans in default. However, the agency has provided calculations indicating the interest income amounts are correct as the various loans have different interest rates. **Staff does not recommend adjustments to interest income.**

Does the Committee wish to approve the Renewable Energy, Efficiency, and Conservation Loan program as recommended by the Governor? Staff requests authority to make technical adjustments to this budget as necessary.

Title: DCNR - STATE HISTORIC PRESERVATION OFFICE
 Account: 101 - 4205

Budget Page: DCNR-9, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	15,075	15,000	(0.50)				
FEDERAL FUND	992,009	953,991	(3.83)	720,354	(24.49)	728,253	1.10
GENERAL FUND	304,861	295,481	(3.08)	368,489	24.71	364,662	(1.04)
INTERAGENCY TRANSFER	133,189	181,513	36.28	60,000	(66.94)	44,995	(25.01)
OTHER FUND	44,100	40,900	(7.26)	44,038	7.67	43,937	(0.23)
Total Revenues	1,489,234	1,486,885	(0.16)	1,192,881	(19.77)	1,181,847	(0.92)
Total FTE		11.00		11.00		11.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
M100	00	2501	Increase General Fund appropriation for the agency's share of EITS SilverNet costs for the Bryan building	1,140	1,010
M100	00	3548	Increase Federal Funds for agency's share of EITS SilverNet costs for the Bryan building.	1,710	1,516
M801	00	2501	Increase General Fund appropriations for the Director's Office updated cost allocation.	1,598	1,516
M801	00	3548	Increase Federal Funds for the Director's Office updated cost allocation.	2,397	2,274
Sub-total				6,845	6,316
Line Item Changes to Revenues				6,845	6,316

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
M100	26	7000	Add EITS SilverNet charge to reflect payment in this budget.	2,850	2,526
M801	40	7000	Increase cost allocation charges to the Director's Office to reflect new methodology.	3,995	3,790
Sub-total				6,845	6,316
Line Item Changes to Expenditures				6,845	6,316

Total				0	0
Grand Total General Fund Impact of Closing Changes				2,738	2,526

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The mission of the State Historic Preservation Office (SHPO) is to encourage the preservation, documentation, and use of cultural resources through state and federal programs. The SHPO's programs include preservation of buildings and archeological sites, grant distribution and management, project reviews for federal tax credits, the national and state registers of historic places, and the review of federal actions in the state for planning and public education purposes. The agency also manages the nearly

300 historical site markers throughout Nevada. Additionally, the SHPO provides staff support for the Commission for Cultural Affairs and supervises the operation of the Comstock Historic District. Primary sources of funding for the SHPO are federal grants, General Fund appropriations and transfers from other state agencies. The agency is currently authorized for 11 full-time positions, inclusive of 1 new position approved by the Interim Finance Committee during the 2013-14 interim.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Enterprise Information Technology Services (EITS) SilverNet Assessment (M-100, DCNR-10): SilverNet is the state's Wide Area Network (WAN), used by agencies for connection between agency PCs and LANs, host computers and state application programs, and outside access to the Internet. Agencies are billed monthly based on a usage pricing tier. The Department of Conservation and Natural Resources (DCNR) is classified as a tier 7. The agencies in DCNR are primarily located in the Bryan Building in Carson City. The Executive Budget recommends General Fund appropriations of \$123,904 in FY 2016 and \$110,695 in FY 2017 in the DCNR Administration budget for a tier 7 annual assessment for access to the Internet via EITS SilverNet for the Bryan Building. The department has requested the SilverNet assessment to be allocated to each agency's budget for all DCNR agencies housed in the Bryan Building based on the number of workstations each agency has. The SHPO's share of the SilverNet assessment would be \$2,850 in FY 2016 and \$2,526 in FY 2017. The funding split in this budget for administrative expenses is 60 percent federal funds and 40 percent General Fund appropriation. Although the allocation of the EITS SilverNet assessment to other DCNR agencies would increase the General Fund support in this budget, department-wide, a total General Fund savings of \$86,563 in FY 2016 and \$77,602 in FY 2017 would be realized as a result of the allocation.

Fiscal staff has included a technical adjustment in this closing document to allocate the State Historic Preservation Office's allocation of the SilverNet assessment in the amount of \$2,850 in FY 2016 (General Fund appropriations of \$1,140 and federal funds totaling \$1,710) and \$2,526 in FY 2017 (General Fund appropriations of \$1,010 and federal funds totaling \$1,516).

With the technical adjustment, this recommendation appears reasonable.

2. Director's Office (DO) Cost Allocation (Base, M-801, and E-801, DCNR-9 through 12): In Decision Unit M-801, the Governor recommends \$5,378 in FY 2016 (General Fund appropriations of \$2,151 and federal funds totaling \$3,227) and \$5,751 in FY 2017 (General Fund appropriations of \$2,300 and federal funds totaling \$3,451) for SHPO's share of the DO cost allocation. By comparison, SHPO's share of the DO cost allocation was \$3,000 in FY 2014. Fiscal staff identified issues with the current methodology used for the Director's Office cost allocation. The current cost allocation methodology does not allocate 100 percent of the personnel expenditures and does not consider the percentage of the non-General Fund sources in each agency's budget for the costs to be allocated. Fiscal staff met with the Executive Budget Office and DCNR to discuss a new cost allocation methodology, which would allocate personnel costs based on the percentage of FTE's for the non-General Fund share of costs only. The General Fund share of the Director's Office cost allocation is appropriated to the DCNR Administration budget. The department concurs with the proposed methodology change for the DO cost allocation. Although the allocation of the DO cost allocation to other DCNR agencies would increase the General Fund support in this budget, department-wide, a total General Fund savings of \$96,406 in FY 2016 and \$93,500 in FY 2017 would be realized in the DCNR Administration budget as a result of the change in the methodology used for the DO cost allocation.

Based on the agreed upon modifications to the methodology used for the Director's Office cost allocation, Fiscal staff included technical adjustments to the cost allocation as reflected on the first page of this closing document. The change in the methodology increases the cost allocation expense by \$3,995 in FY 2016 (General Fund appropriations of \$1,598 and federal funds totaling \$2,397) and by \$3,790 in FY 2017 (General Fund appropriations of \$1,516 and federal funds totaling \$2,274) over the amounts recommended by the Governor.

In Decision Unit E-801, The Executive Budget also recommends \$15,192 in FY 2016 (General Fund appropriations of \$6,077) for SHPO's share of \$75,810, recommended by the Governor to purchase four new virtual servers, one backup server, new storage, a warranty renewal on existing storage backup software and a maintenance contract for the new backup software. The costs are recommended to be allocated to the various agencies that use the servers in the Bryan Building based on a percentage of server usage.

With the technical adjustment Fiscal staff included in this closing document for Decision Unit M-801, these recommendations appear reasonable.

3. Replacement Equipment (E-710, DCNR-12): The Executive Budget recommends a General Fund appropriation of \$882 and federal funds totaling \$1,324 in FY 2017 to replace two desktop computers without monitors. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, including the technical adjustments noted by staff, with authority for staff to make other technical adjustments as necessary.

Title: DCNR - HISTORIC PRES - COMSTOCK HISTORIC DISTRICT
 Account: 101 - 5030

Budget Page: DCNR-15, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
GENERAL FUND	164,959	166,918	1.19	195,807	17.31	217,784	11.22
REVERSIONS	(85)						
Total Revenues	164,874	166,918	1.24	195,807	17.31	217,784	11.22
Total FTE		2.02		2.02		2.02	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Comstock Historic District consists of over 14,000 acres located in two counties and includes five communities. The Comstock Historic District Commission’s mandate is to encourage the preservation of the Comstock Historic District, one of the nation’s largest and most significant landmarks. The Commission considers requests for Certificates of Appropriateness, which property owners are required by statute to obtain before initiating exterior changes to existing structures or constructing new structures. In December 2005, the agency moved into the Comstock History Center in Virginia City, a 4,000-square-foot building approved by the 2003 Legislature. The center houses the Virginia and Truckee Railroad Engine #18, the “Dayton,” and includes space for archaeological analysis and curation of Comstock artifacts. The agency is funded entirely with General Fund appropriations.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Deferred Maintenance Projects (M-425, DCNR-16): The Governor recommends General Fund appropriations of \$52,764 over the 2015-17 biennium for several deferred maintenance projects for the Comstock History Center Office in Virginia City, which include the following:

- \$40,964 to build a roof extension over the sidewalk to protect pedestrians and staff from ice and snow;
- \$8,000 to replace gravel in the parking lot to stabilize it for inclement weather;
- \$1,800 to replace a failing water heater;
- \$1,500 to install steel safety posts around the propane tank to protect against vehicular impacts; and
- \$500 to replace security light bulbs – the existing security lights are located high upon the exterior walls and most of the lights have burned out leaving the areas without lighting. Staff does not have the proper equipment to reach them safely.

This recommendation appears reasonable.

2. Temporary Manpower Services (E-225, DCNR-17): The Executive Budget recommends General Fund appropriations of \$2,923 in each year of the 2015-17 biennium to support the agency's architectural inventory efforts. The agency indicates maintaining the architectural inventory is required to meet minimum National Park Service requirements for the Comstock's historic district designation.

This recommendation appears reasonable.

Staff recommends this budget be closed as recommended by the Governor, including authority for staff to make technical adjustments, as necessary.

Title: DCNR - FORESTRY INTER-GOVERNMENTAL AGREEMENTS
 Account: 101 - 4227

Budget Page: DCNR-104, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	71,278	690,914	869.32				
OTHER FUND	2,981,499	1,995,705	(33.06)				
Total Revenues	3,052,777	2,686,619	(11.99)				
Total FTE		19.00					

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Forestry Inter-Governmental Agreements budget provides for public safety and the protection of natural resources and property pursuant to cooperative agreements between the Nevada Division of Forestry (NDF) and various local governments. These agreements provide for staffing, equipment, and operating resources for emergency response and fire protection services. This budget is funded entirely with assessments to the cooperating counties.

The 2013 Legislature approved maintaining all-risk emergency response service agreements with Clark (Mt. Charleston area only), Elko, and Eureka counties through no later than June 30, 2015. During the current biennium, Elko and Eureka counties have transitioned out of the division's Inter-Governmental Agreement All-Risk Fire Management (ARFM) program. Clark County is currently the only county remaining in the program, with a scheduled transition out of the program by June 30, 2015.

Major Closing Issues

There are no major closing issues.

Other Closing Item

Elimination of the Division of Forestry's All-Risk Fire Management Program (E-490, DCNR-106): For the 2015-17 biennium, the Governor proposes to eliminate the division's ARFM program and to eliminate this budget. In conjunction with this recommendation, The Executive Budget recommends the elimination of 19 positions (1 Battalion Chief, 8 Fire Captains and 10 Firefighter positions) and associated operating costs totaling \$5.4 million over the 2015-17 biennium. All positions are funded with county assessments. Of the positions recommended for elimination, 12 are vacant (Elko County) and 7 positions, which are located in Clark County, are filled. The Clark County Commission approved a resolution at its February 17, 2015, meeting to reorganize the Mount Charleston Fire Protection District from a NRS 473 State Fire Protection district to a NRS 474 County Fire Protection District effective July 1, 2015. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, with authority for staff to make technical adjustments as necessary.

Additional Information - No Action Necessary

1. **One-Shot Appropriation for Retirement Buyouts (INTRODUCTION-18, Volume I):** The Governor recommends a General Fund appropriation totaling \$259,928 in FY 2015 to fund early retirement buyouts for two employees funded with county assessments in the Forestry Inter-Governmental Agreements budget. One employee with Elko County Fire Protection District retired early because of the elimination of the ARFM program effective January 1, 2015, at a total cost of \$152,644; and one employee with the Clark County Mt. Charleston Fire Protection District may retire by the end of FY 2015 because of the elimination of the Clark County Mt. Charleston Fire Protection District, at an estimated cost of \$107,284. The one-shot General Fund appropriation is included in Assembly Bill 438, which was heard in the Committee on Assembly Ways and Means on March 26, 2015.
2. **Dissolution of the NRS 473 Fire Protection Districts:** Assembly Bill 34 repeals the provision of Chapter 473 of NRS, which provided for the creation of certain fire protection districts by petition to the State Forester Firewarden. In addition, the bill reenacts certain provisions of Chapter 473 of NRS relating to fire safety into Chapter 472 of NRS. Finally, this bill authorizes the State Land Registrar to transfer title to certain property owned by the State with certain restrictions, to certain local fire protection districts and counties as the result of the dissolution of the fire protection districts created pursuant to Chapter 473 of NRS. Assembly Bill 34 was heard in the Assembly Committee on Government Affairs on February 20, 2015. The committee voted to amend and do pass the bill as amended on March 26, 2015

Title: DCNR - FORESTRY NURSERIES
 Account: 257 - 4235

Budget Page: DCNR-112, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(45,780)	335,034	(831.83)	302,237	(9.79)	313,253	3.64
INTERAGENCY TRANSFER	72,875	84,887	16.48	91,473	7.76	92,469	1.09
OTHER FUND	720,437	918,148	27.44	775,470	(15.54)	781,682	0.80
Total Revenues	747,532	1,338,069	79.00	1,169,180	(12.62)	1,187,404	1.56
Total FTE		2.00		2.00		2.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Forestry Nurseries budget is an enterprise fund that supports various forestry programs. The Nursery program offers low-cost native or adapted plant species acclimated to Nevada's environmental conditions for conservation purposes and to assist the public and other government agencies with the protection and enhancement of watersheds, forestland, and open spaces. The Seedbank program provides seed, equipment, and other materials to rehabilitate wildland fire damaged lands or other disturbed sites, as well as assists private landowners and public agencies with conservation treatments on their lands to reduce soil erosion, increase plant diversity, improve wildlife habitat, and reduce the threat of wildland fire. The Forest Products Utilization program, implemented at the end of FY 2012, sells logs, wood chips, and other wood products harvested during fuel reduction and forest health enhancement projects.

Funding for the programs comes primarily from nursery and seed sales, equipment rental fees, and a transfer from the Forestry budget. The Governor recommends funding of \$2.4 million over the 2015-17 biennium in support of the Nursery and Seedbank programs, which represents a 3.0 percent increase from the \$2.3 million approved by the 2013 Legislature for the current biennium.

Major Closing Issues

There are no major closing issues.

Other Closing Items

There are no other closing items.

Staff recommends this budget be closed as recommended by the Governor, including authority for staff to make technical adjustments, as necessary.

Title: DCNR - NEVADA TAHOE REGIONAL PLANNING AGENCY
 Account: 101 - 4166

Budget Page: DCNR-136, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
GENERAL FUND	1,318	1,318		1,319	0.08	1,319	
REVERSIONS	(843)						
Total Revenues	475	1,318	177.47	1,319	0.08	1,319	

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

Pursuant to the bi-state Tahoe Regional Planning Compact, the Nevada Tahoe Regional Planning Agency (NTRPA) regulates structures that house gaming establishments in the Lake Tahoe Basin. The NTRPA maintains base data plans and chronological records for all Lake Tahoe casinos and reviews remodeling plans for compliance with the Compact. The agency consists of the seven Nevada members of the 15-member Tahoe Regional Planning Agency (TRPA) governing board and is supported by staff from the Division of State Lands.

Major Closing Issues

There are no major closing issues.

Other Closing Items

There are no other closing items.

Staff recommends this budget be closed as recommended by the Governor, including authority to make technical adjustments, as necessary.

Title: DCNR - STATE ENVIRONMENTAL COMMISSION
 Account: 101 - 4149

Budget Page: DCNR-161, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
INTERAGENCY TRANSFER	9,284	12,332	32.83	10,421	(15.50)	10,421	
OTHER FUND	159,685	101,554	(36.40)	165,988	63.45	165,988	
Total Revenues	168,969	113,886	(32.60)	176,409	54.90	176,409	

Total FTE

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	4669	Adjust the transfer from the Division of Environmental Protection (DEP) Bureau of Water budget for the manual adjustment to add Workers Compensation and Medicare for the State Environmental Commission Board Members	73	73
B000	00	4721	Adjust the transfer from the Department of Motor Vehicles Motor Vehicle Pollution Control budget for the manual adjustment to add Workers Compensation and Medicare for the State Environmental Commission Board Members	78	78
B000	00	4735	Adjust the transfer from the DEP Hazardous Waste Management budget for the manual adjustment to add Workers Compensation and Medicare for the State Environmental Commission Board Members	72	72
B000	00	4775	Adjust the transfer from the DEP Air Quality Management budget for the manual adjustment to add Workers Compensation and Medicare for the State Environmental Commission Board Members	206	206
B000	00	4776	Adjust the transfer from the DEP Mining Regulation/Reclamation budget for the manual adjustment to add Workers Compensation and Medicare for the State Environmental Commission Board Members	28	28
Sub-total				457	457
Line Item Changes to Revenues				457	457

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	01	5000	Manual Adjustment for Medicare for the State Environmental Commission Board Members	30	30
B000	01	5000	Manual Adjustment for Workers Compensation for the State Environmental Commission Board Members	427	427
Sub-total				457	457
Line Item Changes to Expenditures				457	457

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The State Environmental Commission (SEC) serves as the primary rulemaking, variance, and appeal body for environmental regulations in Nevada. The SEC, which consists of 11 members from both the public and private sector, hears and decides contested cases generated by appeals to enforcement actions. The SEC also holds public hearings to establish standards and regulations, prescribe controls, issue variances, develop and approve plans, and to perform other functions that are necessary for the proper execution of state law. Technical advice and administrative support are provided to the SEC by the DEP. Funding for the SEC is provided via transfers from various DEP budgets and the Department of Motor Vehicles (DMV) Motor Vehicle Pollution Control budget.

Major Closing Issues

There are no major closing issues.

Other Closing Item

Adjusted Base Budget (BASE, DCNR-161): The State Environmental Commission Board members are required to be covered under Workers' Compensation through the Risk Management Division. In addition, board members must also contribute to Medicare. The budget system software does not automatically calculate these payroll assessments for board members, and a manual adjustment was not added by the Executive Budget Office during the review of the adjusted base budget. Fiscal staff has included a technical adjustment to add both the Workers' Compensation and Medicare payroll assessments for the SEC board members in this closing document. The combined additional expenditures total \$457 in each fiscal year and the increases are funded via transfers from various DEP budgets and the DMV Motor Vehicle Pollution Control budget.

Staff recommends this budget be closed as recommended by the Governor, with the technical adjustment noted by staff to add Workers Compensation and Medicare payroll assessments for the State Environmental Commission board members. Staff also seeks authority to adjust the transfers in the budgets that are paying for the assessments. Finally, staff requests authority to make other technical adjustments as required.

Title: DCNR - DEP MINING REGULATION/RECLAMATION
 Account: 101 - 3188

Budget Page: DCNR-189, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(727,410)	4,659,321	(740.54)	4,715,719	1.21	5,465,038	15.89
OTHER FUND	3,152,194	2,524,043	(19.93)	3,335,914	32.17	3,353,413	0.52
Total Revenues	2,424,784	7,183,364	196.25	8,051,633	12.09	8,818,451	9.52
Total FTE		20.00		20.00		20.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2511	Decrease Balance Forward From Previous Year to reflect the decrease in Mining Regulation and Mining Reclamation Fees.		(744,204)
B000	00	3718	Decrease Mining Regulation Fees based on the average of prior fiscal year.	(19,154)	(16,547)
B000	00	3769	Decrease Mining Reclamation Fees based on the average of prior fiscal years.	(725,050)	(686,156)
Sub-total				(744,204)	(1,446,907)
Line Item Changes to Revenues				(744,204)	(1,446,907)

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	86	9000	Decrease Reserves to reflect decrease in Mining Regulation and Mining Reclamation Fees adjusted in the base budget.	(744,204)	(1,446,907)
Sub-total				(744,204)	(1,446,907)
Line Item Changes to Expenditures				(744,204)	(1,446,907)

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Bureau of Mining Regulation and Reclamation (BMRR) is responsible for implementation of the Nevada Water Pollution Control Law (NRS 445A.300 – 445A.730) and the Nevada Mine Land Reclamation Law (NRS 519A.010 – 519A.280). Through these laws, the BMRR ensures the design, construction, operation, closure, and reclamation of mining and exploration operations are carried out in accordance with state law and in a manner that protects public health. The mission of the BMRR is to protect human health and ground and surface water resources from mining related contamination and to ensure closed mines are reclaimed for post-mining land use. This budget is funded by fees that are paid by the mining industry.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. **Adjusted Base Budget (BASE, DCNR-189)**: During the adjusted base budget review, Fiscal staff noted the fee revenue projections for the Division of Environmental Protection (DEP) Mining Regulation/Reclamation budget provided by the agency to the Executive Budget Office were not included in The Executive Budget for the 2015-17 biennium. The agency's revenue projections for FY 2016 and FY 2017 were based on a gradual increase of reclamation fee revenue consistent with recent fiscal years, excluding the unusually high level of reclamation permitting activity in FY 2014. However, The Executive Budget did not adjust for the outlier year. Fiscal staff has made adjustments based on the agency's projections. The agency concurs with Fiscal staff's proposed adjustments.

Fiscal staff has included a technical adjustment in this closing document to decrease the Mining Regulation Fees by \$19,154 in FY 2016 and by \$16,547 in FY 2017; and to decrease the Mining Reclamation Fees by \$725,050 in FY 2016 and \$686,156 in FY 2017, with a corresponding decrease in reserves.

2. **Increase in Out-of-State Travel and Training (E-350, DCNR-191)**: The Governor recommends funding from reserves totaling \$12,440 in FY 2016 and \$8,206 in FY 2017 for additional out-of-state travel and training. The recommended funding would provide for out-of-state travel for staff to attend Mine Design, Operations and Closure training and to attend the Society of Mine Engineers and the Interstate Mining Compact Conferences in FY 2016; and for staff to attend the National Conference on Mining-Influenced Waters, the Mine Design, Operations, and Closure Conferences and Sulfate Management Workshop in FY 2017. The agency indicates the training and conferences would allow staff to stay current with technological advances in mine design, containment of process solutions and mine closure. **This recommendation appears reasonable.**
3. **Replacement Equipment (E-710, DCNR-192)**: The Executive Budget recommends funding from reserves totaling \$38,167 in FY 2016 and \$32,857 in FY 2017 to replace nine desktop computers with monitors, one printer, and two sport utility vehicles to replace two vehicles with over 100,000 miles. **This recommendation appears reasonable.**
4. **Transfer to the Division of Environmental Protection (DEP) Administration Budget (SUMMARY, DCNR-192 and 193)**: The Executive Budget recommends funding from fee revenues totaling \$424,638 in FY 2016 and \$429,133 in FY 2017 for a transfer to the DEP Administration budget for the federally approved indirect cost assessment of 23.91 percent of the total salary and fringe benefits costs for this budget, which funds the administrative expenses in the DEP Administration budget. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, with the technical adjustment to reduce fee revenues and reserves as noted by staff. Staff requests authority to make other technical adjustments as necessary, including adjustments to the division-wide indirect cost assessment.

Additional Information - No Action Required

Reserve Level (SUMMARY: DCNR-192 and 193): The Governor recommends a reserve balance of \$6.2 million at the end of FY 2017. However, with the technical adjustment to reduce the fee revenues in this budget account, the ending reserve would be reduced to \$4.8 million at the end of FY 2017, which is significantly greater than the total recommended expenditures in each year. The agency indicates the recommended reserve balance exceeds the recommended expenditures, because starting in FY 2009 and continuing through FY 2012, a multi-year steep rise in gold prices from below \$900 per ounce to above \$1,750 per ounce drove investment by gold mining companies to explore and develop new projects. This expansion increased BMRR permitting activity and associated permit and renewal fee revenue past projected levels at a time when expenditures grew relatively slowly in comparison. Starting in FY 2014 and 2015 beginning cash reserves rose in response.

The agency notes this pattern is consistent with the historical cyclical nature of the gold industry. While it is difficult to predict from one biennium to the next how much gold prices will change and the net effect on BMRR revenues and cash position, it appears the pace of new projects is likely to decrease over time in response to a drop in gold prices, which were below \$1,400 per ounce in 2014 and have been below \$1,300 per ounce in 2015. Because of the lag time between gold price changes, investment analyses, design and engineering, and timelines associated with federally required compliance with the National Environmental Policy Act for projects on federal lands, it is characteristic of the mining industry for changes in prices to have a delayed response on permitting activity and mining related revenue.

Fiscal staff notes the reserves have averaged nearly \$2.6 million at the end of each fiscal year from FY 2005 through FY 2012. If the price of gold and other metals continue to fall, there is a potential for some of the mines to be closed and reclaimed resulting in a gradual decrease in revenue. Alternatively, a sudden decrease in the price of gold could result in some bankruptcies and a more rapid decrease in fee revenue. If metal prices are stable, there will be a slighter decrease in revenue due to a lower level of activity requiring new permits, renewals, and permit modifications.

The agency indicates it continuously evaluates its available and needed resources and at this time has not planned additional spending with the goal of reducing reserves. The agency indicates if additional expenditures are identified as necessary to improve work output; the agency will address those issues via work programs or in the next biennial budget. Otherwise, the spending down of the reserves due to expected decreased permitting activity is expected to be a gradual process over multiple years as a result of gradually increasing expenses and reduced revenue due to decreased permitting activity. The agency notes that as a result of the unpredictable fluctuations in revenue from permit modification fees, the agency relies on the long-term stability of annual fees as the primary revenue source.

Title: DCNR - DEP STATE REVOLVING FUND - ADMIN
 Account: 746 - 3189

Budget Page: DCNR-194, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(125,684)	762,544	(706.72)	903,023	18.42	1,028,707	13.92
FEDERAL FUND	2,295,525	2,485,448	8.27	2,681,281	7.88	2,796,630	4.30
OTHER FUND	125,685	140,298	11.63	125,685	(10.42)	125,685	
Total Revenues	2,295,526	3,388,290	47.60	3,709,989	9.49	3,951,022	6.50

Total FTE		5.00		5.00		5.00	
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Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total				0	0
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Grand Total General Fund Impact of Closing Changes				0	0
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Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The State Revolving Loan programs provide low cost financing for wastewater and drinking water infrastructure improvements that are needed to achieve compliance with applicable environmental standards. The agency indicates the demands for the loan funds remain high with over 90 percent of funds obligated in the State Revolving Loan programs. The State Revolving Fund Administration budget is funded primarily with federal grants awarded by the U.S. Environmental Protection Agency for the administration and technical support of the Drinking Water State Revolving Fund (DWSRF) and the Clean Water State Revolving Fund (CWSRF). In addition to federal grants, the State Revolving Fund Administration budget receives loan servicing fees and interest, which are currently placed in reserve.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Transfer to the Division of Environmental Protection (DEP) Administration Budget (SUMMARY, DCNR-198): The Executive Budget recommends federal funds totaling \$100,868 in FY 2016 and \$103,045 in FY 2017 for a transfer to the DEP Administration budget for the federally approved indirect cost assessment of 23.91 percent of the total salary and fringe benefits costs for this budget, which funds the administrative expenses in the DEP Administration budget. **This recommendation appears reasonable.**

2. Transfer of Advisory Board (E-500 and E-900, DCNR-196 and 197): The Governor recommends the transfer of reserve funding totaling \$1,826 in each year of the 2015-17 biennium from the Water Planning Capital Improvement budget for the costs associated with the Board for Financing Water Projects to this budget. The Governor's budget also recommends a funding source change from reserves to federal grant funds. According to the agency, the majority of the projects presented to the board are state revolving loan fund projects. As a result, the agency indicates the board would be more appropriately funded in this budget. **These recommendations appear reasonable.**
3. Replacement Equipment (E-710, DCNR-197): The Executive Budget recommends federal funding totaling \$2,516 in FY 2017 to replace two desktop computers with monitors. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, with authority for staff to make technical adjustments as necessary, including adjustments to the division-wide indirect cost assessment.

Additional Information – No Action Required

Reserve Level (SUMMARY, DCNR-198): The Governor recommends an FY 2017 ending reserve level of \$1.2 million, a 42.7 percent increase over the FY 2015 projected ending reserve level of \$903,023. The recommended reserve level at the end FY 2017 is sufficient to support over five months of operating expenditures. The agency indicates that an optimal reserve level for this budget would be \$400,000 in each year of the 2015-17 biennium, or approximately two months' worth of operating expenditures. Fiscal staff calculates a reduction in reserve balances of \$628,707 in FY 2016 and \$125,684 in FY 2017 would be required to attain the \$400,000 optimal reserve level when compared to the reserve levels recommended by the Governor for each year of the 2015-17 biennium.

The reserve balance in this budget consists of CWSRF loan servicing fees and Treasurer's Interest that has accumulated since FY 2007. The agency notes that the collection of loan servicing fees was implemented in FY 2007 when the federal government indicated that the CWSRF grant awards would be decreased and possibly eliminated. In anticipation of potential future decreases, as well as the possible elimination of federal grant funds, the agency indicates it has been reserving the loan servicing fees and interest to provide future support for the administrative costs for the CWSRF. The agency advises that the last three annual federal grant awards have remained level. The agency indicates the U.S. Environmental Protection Agency has discussed reducing the Clean Water State Revolving Fund federal budget for years; however, reductions have not materialized, which makes it difficult for the agency to predict whether the federal grant budget will be reduced. Because of the continued uncertainty regarding federal funding, the elevated reserve levels recommended by the Governor appear reasonable to Fiscal staff.

Title: DCNR - DEP WATER QUALITY PLANNING
 Account: 101 - 3193

Budget Page: DCNR-199, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD		27,392		168,772	516.14	171,807	1.80
FEDERAL FUND	3,148,282	4,792,295	52.22	2,660,984	(44.47)	2,690,853	1.12
INTERAGENCY TRANSFER	724,919	960,636	32.52	680,078	(29.21)	684,904	0.71
Total Revenues	3,873,201	5,780,323	49.24	3,509,834	(39.28)	3,547,564	1.07
Total FTE		15.00		15.00		15.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2511	Decrease the Balance Forward revenue line item for grant authority that was placed in reserves in error.	(141,380)	(144,415)
B000	00	3453	Increase the Section 106 Clean Water Act Environmental Protection Agency (EPA) Grant authority that was placed in reserves and in the Balance Forward revenue line item in error.	93,770	93,770
B000	00	3584	Increase the Lake Clarity Crediting Program Grant authority that was placed in reserves and in the Balance Forward revenue line item in error.	30,000	
B000	00	3587	Increase the State Nonpoint Source Pollution Management Program EPA Grant authority that was placed in reserves and in the Balance Forward revenue line item in error.	17,610	50,645
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	06	7000	Increase the Section 106 Clean Water Act EPA Grant authority.	96,216	96,286
B000	08	7000	Increase the Section 604B Clean Water Act EPA Grant authority.	107	
B000	09	7000	Increase the State Nonpoint Source Pollution Management Program EPA Grant authority.	16,981	48,832
B000	12	7000	Increase the Department of Energy Grant authority	954	1,025
B000	18	7000	Increase the Lake Clarity Crediting Program Grant authority. The grant expires 12/31/15.	30,000	
B000	20	7000	Increase Section 106MI Clean Water Act Water Pollution EPA Grant authority.	157	1,517
B000	86	9000	Decrease grant authority from reserves and increase the appropriate grant expenditure category.	(144,415)	(147,660)
Sub-total				0	0
Line Item Changes to Expenditures				0	0

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Bureau of Water Quality Planning (BWQP) implements programs to meet the requirements of the federal Clean Water Act, as well as Nevada's water quality statutes and regulations. The mission of the

BWQP is to protect and improve the chemical, physical, and biological integrity of water within the state. This is accomplished through water quality, bio assessment, and habitat monitoring; the adoption of water quality standards; ensuring discharges meet applicable effluent limitations and water quality standards; and assisting in the development and review of wastewater management plans. This budget is primarily funded by federal grants and budgetary transfers.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Adjusted Base Budget (BASE, DCNR-199 and 200): Fiscal staff has identified federal grant authority totaling \$144,415 in FY 2016 and \$147,660 in FY 2017 that was erroneously included in the reserve balance. Staff would note that Category 86 is a reserve for cash and not for federal grant authority. **Accordingly, Fiscal staff has included technical adjustments in this closing document to remove federal grant authority from reserves and the balance forward revenue line item and to increase the appropriate federal grant revenue and expenditure line items to reflect the anticipated federal grant funding.**

With the noted technical adjustment, the base budget recommendations appear reasonable.

2. Transfer to the Division of Environmental Protection (DEP) Administration Budget (SUMMARY, DCNR -202 and 203): The Executive Budget recommends federal funds totaling \$330,351 in FY 2016 and \$331,674 in FY 2017 for transfers to the DEP Administration budget for the federally approved indirect cost assessment of 23.91 percent of the total salary and fringe benefits costs for this budget, which funds the administrative expenses in the DEP Administration budget. **This recommendation appears reasonable.**
3. Replacement Equipment (E-710, DCNR-201 and 202): The Executive Budget recommends federal funding totaling \$1,258 in FY 2016 and \$39,416 in FY 2017 to replace five desktop computers with monitors, one laptop computer, one printer, and one agency with a camper shell (to replace an existing vehicle with over 140,000 miles). **This recommendation appears reasonable.**
4. New Equipment (E-720, DCNR-202): The Governor recommends federal funding of \$5,882 in FY 2017 to purchase new water quality monitoring equipment (Hydro Lab) capable of continuously monitoring and recording data. The agency indicates this equipment is needed to evaluate water quality throughout the state. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, with the technical adjustments noted by staff, with authority for staff to make other technical adjustments as necessary, including adjustments to the division-wide indirect cost assessment.

Title: DCNR - DEP SAFE DRINKING WATER REGULATORY PROGRAM
 Account: 101 - 3197

Budget Page: DCNR-204, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(50,827)	1,591,680	(3231.56)	1,661,435	4.38	1,592,626	(4.14)
FEDERAL FUND	799,999	834,000	4.25	799,999	(4.08)	799,999	
INTERAGENCY TRANSFER	1,264,860	1,649,007	30.37	1,478,963	(10.31)	1,498,239	1.30
OTHER FUND	1,000,291	1,028,055	2.78	1,000,879	(2.64)	1,000,251	(0.06)
Total Revenues	3,014,323	5,102,742	69.28	4,941,276	(3.16)	4,891,115	(1.02)
Total FTE		26.00		26.00		26.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Bureau of Safe Drinking Water (BSDW) ensures Nevada’s public water systems comply with state and federal drinking water standards by enforcing the sampling and monitoring requirements for water quality and enforcing requirements for surface water treatment and corrosion control. The BSDW also reviews engineering plans for public water systems and the subdivision of land, assesses water sources, conducts annual sanitary surveys, and certifies the qualifications of public water system operators. This budget is primarily funded by federal grants, various fee revenues, and budgetary transfers.

Major Closing Issues

There are no major closing issues

Other Closing Items

1. Transfer to the Division of Environmental Protection (DEP) Administration Budget (SUMMARY, DCNR-207 and 208): The Executive Budget recommends federal funds totaling \$503,473 in FY 2016 and \$510,006 in FY 2017 for a transfer to the DEP Administration budget for the federally approved

indirect cost assessment of 23.91 percent of the total salary and fringe benefits costs for this budget, which funds the administrative expenses in the DEP Administration budget. **The assessment appears reasonable.**

2. Increase to In-State and Out-of State Travel and Training (E-350, DCNR-206): The Executive Budget recommends funding from reserves totaling \$15,210 in FY 2016 and \$8,626 in FY 2017 for additional travel and training for staff in the Public Water System Supervision Program and the Laboratory Certification Program. According to the agency, certification officers must be certified by the U.S. Environmental Protection Agency in order to perform laboratory inspections in the state. The agency indicates new staff is required to take this training as a function of employment. The recommendation also includes funding for in-state travel to laboratories requesting new certification, which requires an inspection. Out-of-state travel includes travel for the bureau chief to meet with the U.S. Environmental Protection Agency Region 9 staff located in San Francisco regarding the state's Safe Drinking Water Program, and for staff to attend the Data Management User's Conference to stay current on data management issues in the drinking water programs and to attend the Association of State Drinking Water Administrators annual conference. Finally, funding for out-of-state travel is also recommended for training for the agency's Environmental Scientists, including radiochemistry and chemistry refreshers, and laboratory certification for the analysis of cryptosporidium as required by the Safe Drinking Water Act. **This recommendation appears reasonable.**
3. Equipment Replacement (E-710, DCNR-207): The Governor recommends funding from reserves totaling \$9,638 in FY 2016 and \$13,256 in FY 2017 to replace 11 desktop computers with monitors, 3 printers, and 3 tablet computers for field use. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, with authority for staff to make technical adjustments as necessary, including adjustments to the division-wide indirect cost assessment.

Title: DCNR - DEP WATER PLANNING CAP IMPROVEMENT
 Account: 101 - 4155

Budget Page: DCNR-209, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	20,086	59,644	196.94	67,365	12.95	18,288	(72.85)
OTHER FUND		109,807		57,737	(47.42)	110,723	91.77
Total Revenues	20,086	169,451	743.63	125,102	(26.17)	129,011	3.12
Total FTE		1.00		1.00		1.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Revenues				0	0

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16 Gov Rec	2016-17 Gov Rec
Sub-total				0	0
Line Item Changes to Expenditures				0	0
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	0

Overview

Staff is responsible for developing closing recommendations for this budget. The Committee has not previously heard this budget.

The Division of Environmental Protection (DEP) Water Planning Capital Improvement budget funds the staff and administrative expenses of the Board for Financing Water Projects, which awards grants for capital improvements to small public water systems to ensure compliance with state and federal drinking water regulations. Grants are also awarded by the Board for qualifying water conservation projects, to mitigate the costs associated with abandoned septic systems, and to cover costs associated with connecting to community sewer systems. This budget is funded by bond proceeds and fees via a transfer from the Grants to Water Purveyors budget (non-executive budget).

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Transfer to the Division of Environmental Protection (DEP) Administration Budget (SUMMARY, DCNR-211): The Executive Budget recommends funding from bond proceeds totaling \$19,032 in FY 2016 and \$19,769 in FY 2017 for a transfer to the DEP Administration budget for the federally approved indirect cost assessment of 23.91 percent of the total salary and fringe benefits costs for this

budget, which funds the administrative expenses in the DEP Administration budget. Fiscal staff notes that if the vacant Professional Engineer position is not filled, the DEP Administration budget will not assess the indirect cost assessment. The assessment will only be based on actual personnel expenditures. **The recommended assessment appears reasonable.**

2. Transfer of Advisory Board (E-900, DCNR-210 and 211): The Governor recommends an increase to reserves totaling \$1,826 in each year of the 2015-17 biennium as a result of transferring the board and commission pay and travel and operating costs associated with the Board for Financing Water Projects from this budget to the DEP State Revolving Fund budget. According to the agency, the majority of the projects presented to the board are state revolving loan fund projects. As a result, the agency indicates the board would be more appropriately funded in the DEP State Revolving Fund budget. **This recommendation appears reasonable.**

Staff recommends this budget be closed as recommended by the Governor, with authority for staff to make technical adjustments as necessary, including adjustments to the division-wide indirect cost assessment.

Additional Information – No Action Required

Program Funding Update: As noted in the overview, this budget provides staff and administrative support for the Board for Financing Water Projects, which awards grants for capital improvement projects to small public water systems. Grants are also provided for qualifying water conservation programs and to defray costs with mitigating issues with abandoned septic systems and to cover costs with connecting to community sewer systems. This budget account is funded by bond proceeds and fees that are transferred from the Grants to Water Purveyors budget. *Nevada Revised Statutes* 349.986 provides general obligation bond authority for an aggregate principal amount of \$125 million for the Water Infrastructure Grants program.

The DEP Water Planning Capital Improvement budget includes funding for one Professional Engineering position; however the position has been vacant since January 23, 2011. The agency indicates once they were notified on September 15, 2010, by the State Treasurer's Office that future bond sales were suspended because of the limited state debt capacity as a result of declining property values and much lower property tax revenue, the agency took immediate steps to address the lack of funding, one of which was to transfer the Professional Engineer out of this budget and hold the position vacant. At that time, the agency notes it had a number of open projects that were in the middle of construction. Since that time, there have not been any bond sales to fund the program; therefore, the agency has continued to hold the position vacant. The Governor is recommending \$1.0 million in bond sales for the 2015-17 biennium for Water Infrastructure Grants program; however, the agency indicates that funding of \$1.0 million in bonds proceeds will not generate enough project work for a full-time position. The personnel expenditures that have been paid over the last three fiscal years from the DEP Water Planning Capital Improvement program are for personnel costs allocated to the Water Planning Capital Improvement program by employees paid from the DEP State Revolving Fund for time spent on the program. The total personnel costs charged in FY 2014 were \$10,007 compared to the \$80,212 recommended in FY 2016 and the \$82,986 recommended for FY 2017 for the vacant Professional Engineer position. The agency intends to leave the Professional Engineering position vacant for the 2015-17 biennium. The agency notes that the projects funded with the \$1.0 million bond sale for the 2015-17 biennium will be managed by positions in the DEP State Revolving Fund budget. The agency indicated that should funding return to pre-2010 levels, there would be sufficient work for a full-time position, however, the Professional Engineering position should remain vacant until such time.

The agency indicates the only currently active project is the Spanish Springs septic-to-sewer conversion project. This project received funding authorized under Senate Bill 200 from the 2003 Legislative

Session. The project provided funding to Washoe County to reimburse each homeowner \$2,000 when they abandon their existing septic system and connect to the community sewer system. There are seven homes that have not yet connected (\$14,000 in grant funding is left to reimburse Washoe County). Washoe County has not provided the agency with a timeframe of when the remaining seven homes will be connected.

Fiscal staff notes the current cash on hand in FY 2015 in the Grants to Water Purveyors budget is \$127,811. The Executive Budget recommends a transfer of \$57,737 in FY 2016 and \$110,723 in FY 2017, for a total of \$168,460 for the 2015-17 biennium from the Grants to Water Purveyors budget to this budget. The current cash on hand in the Grants to Water Purveyors budget is not sufficient to cover the recommended transfers included in the DEP Water Planning Capital Improvement budget. The Grants to Water Purveyors' budget has not received revenues from the sale of bond proceeds since FY 2011 totaling \$255,925. However, as noted previously, the Governor is recommending \$1.0 million in bond sales for the Water Infrastructure Grants program. The agency did not transfer funds from the Grants to Water Purveyors' budget to this budget in FY 2014, and instead used existing cash in reserves to fund expenditures incurred in FY 2014, in the DEP Water Planning Capital Improvement budget. If the \$1.0 million sale of bonds for the Water Infrastructure Grants program is not approved, the agency indicates it would continue to use reserves for any administrative cost incurred. The current cash on hand for FY 2015, in the DEP Water Planning Capital Improvement budget is \$51,773. Based on FY 2014 expenditures totaling \$20,086, if there were no additional transfers of bond proceeds from the Grant to Water Purveyors budget, and there were no additional expenditures in FY 2015, the reserves would be \$11,621 by the end of FY 2017. The Executive budget recommends an ending reserve balance of \$18,686 at the end of FY 2017, which is equivalent to a 62 day-reserve.