

**SENATE COMMITTEE ON FINANCE AND
ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT
CLOSING REPORT**

DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS

The Joint Subcommittee on General Government has completed its review of the budgets for the Department of Tourism and Cultural Affairs (DTCA). The closing actions taken by the members of the Subcommittee have resulted in a decrease in General Fund appropriations of \$151,887 in FY 2016 and \$152,240 in FY 2017 when compared to the Governor's recommended budget.

Tourism Development Fund (225-1522) TOURISM-14: The Subcommittee recommended approval of increased advertising expenditures in key feeder markets near Nevada and in cities where large airlines are based. In addition, the Subcommittee concurred with the Governor's recommendation for one new IT Technician to provide support to the department's Southern Nevada offices. The Subcommittee also recommended approval of the Governor's recommendation to establish a contracted representative in India to promote Nevada as a tourist destination. Finally, the Subcommittee recommended approving the Governor's recommendation to transfer approximately \$9.7 million in room tax revenues to other agencies to support programs within and outside of the department that contribute to tourism in Nevada. The Subcommittee

recommended approving the remainder of the budget as recommended by the Governor with technical adjustments.

Stewart Indian School Living Legacy (101-2601) TOURISM-12: The Subcommittee recommends approving the Governor's recommendation to establish a new Stewart Indian School Living Legacy budget, along with two new positions, including a Museum Director and a Curator position, to develop and oversee the planning stages of restoring two existing buildings on the Stewart Indian School campus to facilitate a new Cultural Center, as well as a Welcome and Information Center. With a nominal technical adjustment, the General Fund appropriation to support the recommendation totaled \$121,824 in FY 2017.

Nevada Magazine (530-1530) TOURISM-25: The Subcommittee recommends not approving the Governor's recommendation to transfer room tax revenues of \$50,000 in each year of the 2015-17 biennium to fund a direct marketing campaign for Nevada Magazine. Alternatively, the Subcommittee recommends transferring room tax revenues of \$50,000 in FY 2016 only, and to increase renewal subscription revenue authority by \$49,000 in FY 2017 to fund direct marketing mail campaigns. The Subcommittee recommended closing all other items as recommended by the Governor with technical adjustments.

Nevada Historical Society (101-2870) TOURISM-54: The Subcommittee concurred with the Governor's recommendation for a new Museum Director position in order for the Nevada Historical Society to maintain its accreditation with the American Alliance of Museums. In addition, the

Subcommittee recommended eliminating a vacant Administrative Assistant position funded with Museum Dedicated Trust Funds due to a lack of available funding, and directing the agency to seek approval from the Interim Finance Committee to reestablish this position if the Board of Museums and History determines there is adequate funding to support the position during the 2015-17 biennium. The Subcommittee recommended closing all other items as recommended by the Governor.

Nevada State Museum, Las Vegas (101-2943) TOURISM-67: The Subcommittee recommended approving the Governor's recommendation for a new Museum Attendant position to allow the museum to open one additional day per week. In addition, the Subcommittee recommended approving the Governor's recommendation to retain a vacant Retail Storekeeper position funded with Museum Dedicated Trust Funds, and allow the Board of Museums and History to determine if there is adequate funding to support the position during the 2015-17 biennium. The Subcommittee recommended approval of all other items as recommended by the Governor.

Nevada Arts Council (101-2979) TOURISM-84: The Subcommittee recommended not approving the Governor's recommendation to provide an additional \$150,000 in General Fund appropriations in each year of the 2015-17 biennium for arts grant awards. Instead, the Subcommittee recommended approval to transfer room tax revenue of \$175,000 in each year of the 2015-17 biennium from the Tourism Development Fund to support an increase in arts grant awards, with the additional \$25,000 to be

used for rural outreach. The Subcommittee recommended approval of all other closing items with technical adjustments.

The Subcommittee recommends closing the following Department of Tourism and Cultural Affairs budgets as recommended in The Executive Budget, with minor or technical adjustments:

- Indian Commission (101-2600) TOURISM–31
- Museums and History (101-2941) TOURISM–44

DEPARTMENT OF TOURISM AND CULTURAL AFFAIRS
General Fund Impacts of Subcommittee Closing

Page	Budget	Title	FY 2016	FY 2017
<u>AS CLOSED BY SUBCOMMITTEE:</u>				
TOURISM-14	225-1522	* Tourism Development Fund	-	-
TOURISM-12	101-2601	Stewart Indian School Living Legacy	-	(353)
TOURISM-25	530-1530	* Nevada Magazine	-	-
TOURISM-54	101-2870	* Nevada Historical Society	-	-
TOURISM-67	101-2943	* Nevada State Museum, LV	-	-
TOURISM-84	101-2979	Nevada Arts Council	(151,887)	(151,887)
TOURISM-31	101-2600	* Indian Commission	-	-
TOURISM-44	101-2941	* Museums & History	-	-
			(151,887)	(152,240)
* No General Fund impact				

Title: TOURISM - TOURISM DEVELOPMENT FUND
 Account: 225 - 1522

Budget Page: TOURISM-14, Volume II

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	29,351	4,375,041	14805.94	4,129,828	(5.60)	3,375,845	(18.26)
OTHER FUND	19,290,561	18,633,651	(3.41)	20,594,230	10.52	21,212,751	3.00
Total Revenues	19,319,912	23,008,692	19.09	24,724,058	7.46	24,588,596	(0.55)
Total FTE		25.00		26.00		26.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
E249	00	2511	Increase transfers to Nevada Arts Council for arts grant awards		(173,113)
E710	00	2511	Increase reserves balanced forward to move computers and servers from FY 2016 to FY 2017, and remove computers from FY 2017.		19,538
Sub-total				0	(153,575)
Line Item Changes to Revenues				0	(153,575)

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
E130	22	9000	Eliminate transfer to Nevada Magazine for direct mail campaign in FY 2017		(50,000)
E130	86	9000	Increase reserves for the elimination of the transfer to Nevada Magazine		50,000
E249	65	9000	Increase transfers to Nevada Arts Council for arts grant awards	173,113	173,110
E249	66	9000	Decrease transfer to Indian Commission		(1)
E249	86	9000	Decrease reserves for increased transfers to Nevada Arts Council	(173,113)	(346,223)
E249	86	9000	Increase reserves for decrease to transfer to Indian Commission		1
E710	26	8000	Reduce expenditures to move computers and servers from FY 2016 to FY 2017, and remove computers from FY 2017.	(19,538)	14,506
E710	86	9000	Increase reserves to move computers and servers from FY 2016 to FY 2017, and remove computers from FY 2017.	19,538	5,032
Sub-total				0	(153,575)
Line Item Changes to Expenditures				0	(153,575)

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

The primary mission of the Division of Tourism is to generate revenue for the State of Nevada through activities that encourage both short-term and long-term tourist visitation. The division accomplishes this through administering a marketing plan that consists of: a research program measuring visitation and identifying salient consumer purchase behavior; public relations, public affairs and social media outreach; traditional and digital advertising; fulfillment and call center operations; web and mobile application development; domestic and international sales, including a presence at consumer and travel trade shows; and grants and educational programs and conferences designed to enhance business opportunities for

Nevada's tourism industry. The division is mainly funded through room tax revenues, with limited funds received through conference registration fees.

Major Closing Issues

1. Increased Marketing and Advertising
2. New Information Technology Technician Position
3. Agency Representation in India
4. Room Tax Transfers to Support Other Divisions and Agencies

Discussion of Major Closing Issues

1. **Increased Marketing and Advertising (E-125, TOURISM-16):** The Governor recommends the use of reserves of \$355,000 in each year of the 2015-17 biennium to support increased marketing and advertising efforts by the division with the goal of increasing visitor travel to Nevada. Funding would support additional media buys in key feeder markets in major cities near Nevada, including Los Angeles, San Francisco, Sacramento, Phoenix, Boise, Salt Lake City, and San Diego. In addition, the agency indicates the funding would enhance sales and marketing efforts in markets where large airlines are based with the goal of increasing air service to Nevada. Cities would include Dallas, Chicago, Atlanta, Seattle, and New York City.

Fiscal staff notes the 2013 Legislature increased the marketing and advertising expenditures in the same key feeder markets by \$450,000 in each year of the 2013-15 biennium, which is reflected in the agency's base budget for the 2015-17 biennium. Actual marketing and advertising expenditures of \$10.0 million were incurred in FY 2014, and authority to spend \$9.2 million is legislatively approved for FY 2015.

At its February 11, 2015, hearing, the agency testified that the state receives a return on investment of \$33 for every \$1 spent on marketing, which is an increase from \$19 for every \$1 spent that the agency reported for the 2013-15 biennium. In response to follow-up questions generated from the hearing, the agency clarified the 33:1 return on investment represents the state and local taxes generated from paid advertising divided by the media buy and production costs associated with each campaign. The division contracts with TNS Custom Research, Inc. to conduct surveys of visitors to Nevada to determine if the division's campaigns affected any of their travel decisions to calculate the amount of spending attributed to their campaigns.

In the current biennium, the agency has used four vendors for different areas of their marketing and advertising efforts, which include public relations, digital/website development, advertising, and media buys. For the 2015-17 biennium, the agency plans to use just one main vendor to expand these activities and to add a customer relationship management component to their scope of work, which would include the development of customized electronic newsletters and other direct-to-customer digital outreach. In February 2015, the agency entered into a new contract with Fahlgren Mortine to conduct these activities. The adjusted base budget for the 2015-17 biennium includes increased contract expenditures for the new vendor to account for the expanded services that will be provided.

With the increased funding recommended in this decision unit, as well as the expanded scope of services to be provided by the new vendor, total marketing and advertising authority is recommended by the Governor to be \$11.2 million in FY 2016 and \$11.3 million in FY 2017, an increase of 11.7 percent and 12.6 percent respectively over FY 2014 actual expenditures.

Does the Subcommittee wish to approve reserve reductions of \$355,000 in each year of the 2015-17 biennium to increase marketing and advertising expenditures in key feeder markets?

The Subcommittee recommended approval of the Governor's recommendation for the use of reserve funds to increase marketing and advertising expenditures in key feeder markets.

2. New Information Technology Technician Position (E-225, TOURISM-18): The Governor recommends the use of reserves of \$45,724 in FY 2016 and \$46,969 in FY 2017 for the salary, benefits, and operating expenditures of a new Information Technology Technician position based in Las Vegas to maintain the department's information systems in its Southern Nevada offices. The agency currently has one Information Technology Technician position located in Carson City, which was approved by the 2011 Legislature to meet the information technology needs of the department when it merged with the Division of Museums and History and the Nevada Arts Council. Prior to the merger, several information technology positions existed within the then-named Department of Cultural Affairs, but were eliminated or moved to other departments as part of the reorganization and creation of the Department of Tourism and Cultural Affairs (DTCA). The agency indicates that as a result of the merger, the department has 100 additional workstations, 15 additional portable devices, and 7 additional servers, which are mostly located in Southern Nevada. The agency indicates that it originally estimated it would gain an additional 75 workstations and 3 servers as a result of the merger. According to the agency, additional end-user support hours are also required to support the expanded department.

Does the Subcommittee wish to approve the addition of one new Information Technology Technician position and associated costs to support the department's Southern Nevada offices?

The Subcommittee recommended approval of the Governor's recommendation to add one Information Technology Technician position and associated costs to support the department's Southern Nevada office.

3. Agency Representation in India (E-127, TOURISM-16-17): The Governor recommends the use of reserves of \$70,000 in each year of the 2015-17 biennium to establish a contracted representative in India and to increase international sales efforts throughout Asia. The division currently works with representative agencies in eight other countries to market Nevada internationally, including the United Kingdom, Germany, Mexico, Canada, Brazil, France, South Korea and Australia. In addition, the agency has its own representative office and staff based in China. The agency indicates the contracted representative would conduct sales and marketing meetings in India and throughout Asia; attend trade shows to promote Nevada as a tourist destination; and interact with local governments, and tourism and media professionals.

The agency indicates this recommendation only includes the contract and operating costs of the new representative and does not include any additional marketing, promotional, media and sales expenditures. The agency indicates that existing marketing and advertising expenditures would be used to target international sales efforts in India.

During its February 11, 2015, hearing, the agency testified that the affect this new representative would have on the number of visitors coming to Nevada would be difficult to project. The agency indicated that international travel can be easily tracked when people arrive in the major cities across the United States, but is extremely difficult to track once people leave those major cities and travel to other locations throughout the country.

Does the Subcommittee wish to approve reserve reductions of \$70,000 in each year of the 2015-17 biennium to establish a new contracted representative in India?

The Subcommittee recommended approval of the Governor's recommendation for the use of reserve funds to establish a new contracted representative in India.

4. Room Tax Transfers to Support Other Divisions and Agencies (E-128, E-249 & SUMMARY, TOURISM-17, 19, 21 & 22): Similar to a cost allocation, in Decision Unit E-128, the Governor recommends the use of room tax reserves of \$20,518 in FY 2016 and \$10,856 in FY 2017 to partially support the maintenance units in the Nevada Arts Council budget, the Nevada Indian Commission budget and the various Division of Museums and History budgets. In addition, in Decision Unit E-249, the Governor recommends the use of room tax reserves of \$90,687 in FY 2016 and \$88,258 in FY 2017 to support enhancement units in the same noted budgets.

As previously mentioned, the Tourism Development budget is primarily funded through room tax revenues. Specifically, a 3/8 share of the 1 percent statewide room tax is required to be deposited into the Tourism Development Fund pursuant to *Nevada Revised Statutes* (NRS) 244.3354 and NRS 268.0962. Actual room tax revenue received in FY 2014 was \$19.3 million, approximately \$1.2 million (6.7 percent) more than what was approved by the 2013 Legislature. The most recent room tax projection provided by the Division of Tourism on April 7, 2015, for the 2015-17 biennium, along with the primary factors affecting the increased projection, is summarized in the following table.

Division of Tourism Room Tax Revenue Revised April 7, 2015*							
	Actual FY 2014	Projected FY 2015	Annual Increase	Projected FY 2016	Annual Increase	Projected FY 2017	Annual Change
Room Tax Revenue	\$19,279,041	\$20,398,605	5.8%	\$20,650,465	1.2%	\$21,244,818	2.9%
Visitor Volume	52,731,938	53,652,938	1.7%	55,104,586	2.7%	56,089,738	1.8%
Occupied Room Nights	56,929,845	57,415,195	0.9%	58,691,317	2.2%	59,600,532	1.5%
Average Daily Rate - Clark County**	\$114.36	\$119.15	4.2%	\$121.05	1.6%	\$122.70	1.4%
Average Daily Rate - Mesquite	\$51.33	\$54.87	6.9%	\$55.96	2.0%	\$56.80	1.5%
Average Daily Rate - Washoe County	\$80.57	\$82.02	1.8%	\$83.71	2.1%	\$83.54	(0.2%)

* Projections provided by the Division of Tourism based on actual receipts through January 2015.

**Average Daily Rate for Clark County does not include Boulder City or Mesquite.

As shown in the chart below, the Governor recommends the transfer of \$9.7 million in room tax revenue from the Tourism Development Fund over the 2015-17 biennium (inclusive of fund transfers recommended in the base budget as well as Decision Units E-128 and E-249) to support programs within the DTCA and tourism-related efforts outside of the DTCA.

Room Tax Revenue Transfers from the Tourism Development Fund				
Description	Legislature	Governor		
	Approved	Recommends	Increase	% Change
	2013-15 Biennium	2015-17 Biennium		
<u>Intra-Agency Transfers</u>				
Lost City Museum	349,582	376,856	27,274	7.8%
Tourism Development	200,000	200,000	0	0.0%
Nevada Magazine	0	100,000	100,000	
Nevada Indian Commission	126,245	140,042	13,797	10.9%
Stewart Indian School Living Legacy	0	0	0	
Nevada Historical Society	489,244	576,999	87,755	17.9%
Nevada State Museum, CC	1,349,438	1,471,789	122,351	9.1%
Museums & History, Administration	357,948	417,266	59,318	16.6%
Nevada State Museum, LV	1,323,765	1,439,118	115,353	8.7%
Nevada Arts Council	1,477,114	1,559,665	82,551	5.6%
State Railroad Museum	907,182	994,699	87,517	9.6%
Sub Total	6,580,518	7,276,434	695,916	10.6%
<u>Inter-Agency Transfers</u>				
Governor's Washington Office	210,486	213,022	2,536	1.2%
Nevada Film Office	1,317,311	1,200,000	(117,311)	(8.9%)
State Parks	1,018,262	1,018,262	0	0.0%
Sub Total	2,546,059	2,431,284	(114,775)	(4.5%)
Total of All Transfers	9,126,577	9,707,718	581,141	6.4%

When the 2011 Legislature approved the creation of the consolidated Department of Tourism and Cultural Affairs, room tax revenues began to partially support the Division of Museums and History (DMH), the Nevada Arts Council (NAC), and the Nevada Indian Commission (NIC). The Governor recommends that these three divisions within the DTCA continue to receive both General Fund appropriations and room tax revenue support, as presented in the following table.

**Comparison of Governor's Recommended 2015-17 Biennium
General Fund and Room Tax Revenue Split by Division**

	Division of Museums and History*		Nevada Arts Council*		Nevada Indian Commission**	
General Fund appropriations	\$5,276,699	50.0%	\$1,455,818	48.3%	\$410,387	74.6%
Room Tax Transfer	\$5,276,727	50.0%	\$1,559,665	51.7%	\$140,042	25.4%
Division Total	\$10,553,426	100.0%	\$3,015,483	100.0%	\$550,429	100.0%

* This table only displays recommended General Fund appropriations and room tax revenue for comparison purposes. Other revenue sources received within the Division of Museums and History (i.e., admission charges) and the Nevada Arts Council (i.e., federal funds) budgets are omitted from this table.

** The Nevada Indian Commission is fully funded with General Fund appropriations and room tax revenues. The amounts referenced in the table do not include recommended General Fund appropriation for the proposed Stewart Indian School Living Legacy.

The recommended percentages of General Fund appropriations and room tax for the NIC are consistent with the funding percentages approved by the 2011 Legislature. The agency has indicated that the NIC staff dedicate approximately 25 percent of their time to tasks tied specifically to tourism, with the remaining 75 percent of their time spent on tasks relating to their role as the liaison between the state and Native American tribes, bands, and community councils.

The Governor's recommended funding split for the NAC varies slightly from the 50/50 mix of General Fund appropriations and room tax revenue percentages approved by the 2011 Legislature. The variance is mainly due to the continuance of room tax transfers totaling \$400,000 over the biennium approved by the 2013 Legislature for arts grants to be awarded by the NAC, as well as a recommended enhancement included in The Executive Budget of General Fund appropriations of \$300,000 over the biennium for additional arts grant awards (E-226, TOURISM-86).

Does the Subcommittee wish to approve \$9.7 million in room tax revenue transfers to other agencies to support programs within the department and tourism-related efforts outside of the department?

If the Subcommittee approves this recommendation, Fiscal staff requests authority to make technical adjustments to projected room tax revenues based on the Economic Forum's revised estimates and final closing decisions in the budgets receiving transfers from the Tourism Development Fund.

The Subcommittee recommended approval of the Governor's recommendation to transfer \$9.7 million of the Tourism Development Fund's room tax revenues to other agencies to support programs within the department and outside of the department that contribute to tourism in Nevada over the 2015-17 biennium.

Other Closing Items

1. Direct Marketing Campaign for Nevada Magazine (E-130, TOURISM-18): The Governor recommends the use of reserves of \$50,000 in each year of the 2015-17 biennium to transfer room tax revenue to Nevada Magazine to fund a direct marketing campaign aimed at increasing the number of subscribers to the magazine. A companion decision unit (E-130, TOURISM-27) is discussed in detail in the closing document for Nevada Magazine. Approval of this recommendation is contingent upon approval of the corresponding recommendation in the Nevada Magazine budget. Any adjustments made to the corresponding recommendation in the Nevada Magazine budget should also apply to this recommendation. **This recommendation appears reasonable, contingent upon approval of the corresponding recommendation in the Nevada Magazine budget. Fiscal staff will ensure closing actions in the Nevada Magazine budget are accurately reflected in this budget.**
2. Fleet Services Vehicle (E-240, TOURISM-19): The Governor recommends a reduction to reserves of \$4,200 in FY 2016 and \$9,600 in FY 2017 to support monthly rental expenditures for a new Fleet Services vehicle. The agency indicates the vehicle would be used to provide transportation to conduct in-state tours for visiting travel writers to generate media coverage, and for tour operators and travel agents so they can develop itineraries and travel packages to offer to their customers. The vehicle would be comparable to a large sport utility vehicle and would be utilized for six months in FY 2016 and 12 months in FY 2017. The agency indicates that it has obtained approval from the Fleet Services Division to wrap the vehicle with the division's brand so it can be used as a marketing tool as it travels throughout Nevada and estimates the vehicle will be driven approximately 18,000 miles per year. **This recommendation appears reasonable.**
3. Replacement Equipment (E-710, TOURISM-20): The Governor recommends a reduction to reserves of \$32,669 in FY 2016 and \$26,551 in FY 2017 to replace 9 desktop computers, 4 laptop computers, 2 Apple iPads, 2 servers and switches, 1 network printer, 1 projector, 30 Microsoft Office software licenses, 6 Adobe Creative Cloud software licenses, and 1 portable air conditioning unit for a server room. Fiscal staff notes that 2 desktop computers and 2 servers recommended for replacement in FY 2016 are not eligible for replacement until FY 2017 based on the state's five-year replacement schedule. In addition, 4 desktop computers recommended for replacement in FY 2017 are not eligible for replacement until FY 2018. The agency has agreed to technical adjustments to move the recommended 2 desktop computers and 2 servers from FY 2016 to FY 2017, and to eliminate 4 desktop computers from the recommendation in FY 2017. These technical adjustments have been made and are reflected in this closing document. **Fiscal staff recommends approval of this decision unit with technical adjustments to transfer expenditures for 2 desktop computers and 2 servers from FY 2016 and FY 2017, and to eliminate expenditures for 4 desktop computers from the recommendation in FY 2017.**

4. New Equipment (E-720, TOURISM-20-21): The Governor recommends a reduction to reserves of \$1,575 in FY 2016 and \$1,258 in FY 2017 for one new laptop computer and two new Apple iPads. The agency indicates these items will be used by its marketing, media and sales teams at trade shows, consumer shows, special events, agency conferences and exhibitions. They would be used in the booths and table set-ups to display the division's website and videos, and to allow partners and potential visitors to Nevada to interact with the division's website and social media channels. **This recommendation appears reasonable.**
5. Cost Allocation (E-804, TOURISM-21): The Governor recommends a reduction in reserves of \$731 in FY 2016 and \$984 in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Does the Subcommittee wish to approve the Other Closing Items as recommended by the Governor, and provide Fiscal staff with authority to make the technical adjustments noted in Other Closing Items 1 and 3, and authorize Fiscal staff to make other technical adjustments as needed?

The Subcommittee recommended approval of Other Closing Items as recommended by the Governor, provided Fiscal staff with authority to make the technical adjustments noted in Other Closing Items 1 and 3, and authorized Fiscal staff to make other technical adjustments as needed.

Additional Information – No Action Required

1. Room Tax Reserves (SUMMARY, TOURISM-22): According to the agency, reserves for the room tax revenue should optimally equate to 60 days of operating expenditures in order to maintain an adequate cash flow in the department. The Executive Budget indicates the room tax reserves for the Tourism Development Fund would equate to 70 days of operating expenditures by the end of FY 2017.

On April 7, 2015, the agency provided Fiscal staff with the revised room tax revenue projections for the remainder of FY 2015 and for the 2015-17 biennium. The projections for FY 2015 are approximately \$1.8 million higher than what had been approved in by the 2013 Legislature, while the projections for the 2015-17 biennium are \$111,142 lower than the total included in The Executive Budget.

Senate Bill 506, Section 9, heard by the Senate Committee on Finance on March 27, 2015, would provide for the redirection \$1.7 million in reserves in this budget to the State General Fund as part of the Department of Administration's plan to reduce the FY 2015 ending General Fund balance shortfall. The proposed reserve transfer is not reflected in The Executive Budget; however, based on the increased projections for room tax revenue receipts in FY 2015, it appears the reserve levels would still be greater than what is currently included in The Executive Budget, and there will be no impact on the funding provided from this budget over the 2015-17 biennium.

During its February 11, 2015, hearing, the Joint Subcommittee on General Government expressed an interest in potentially utilizing room tax revenues to support enhancements recommended by the Governor in other budgets to be funded with General Fund appropriations. Specifically, the Subcommittee questioned the funding of new positions recommended for the Stewart Indian School Living Legacy budget and additional arts grant awards funding for the Nevada Arts Council budget. The table below indicates what the Tourism Development Fund's reserve level would be: 1) if the Subcommittee approved the Tourism Development Fund as recommended by the Governor; 2) if the room tax revenues were revised to reflect current projections; 3) if 50 percent of the \$122,177 in General Fund appropriations associated with the proposed positions recommended for the Stewart Indian School Living Legacy budget were funded with room tax revenues; and 4) if 100 percent of the \$300,000 in General Fund appropriations recommended for additional arts grant awards in the Nevada Arts Council budget were funded with room tax revenues.

Tourism Development Fund Ending Reserves Balance FY 2012 - FY 2017							
Option	Description	Actual Reserves			Projected Reserves		
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
1	Governor Recommends						
	Balance	\$4,777,596	\$4,102,418	\$4,305,168	\$4,129,828	\$3,375,845	\$3,181,102
	Days of Operating	141	105	106	105	74	70
2	Include \$1.7 Million Transfer in FY 2015 and Updated Room Tax Revenue Projections						
	Balance	\$4,777,596	\$4,102,418	\$4,305,168	\$4,242,522	\$3,556,194	\$3,404,938
	Days of Operating	141	105	106	108	78	75
3	Include Funding 50 Percent of Both Positions in Stewart Indian School Living Legacy						
	Balance	\$4,777,596	\$4,102,418	\$4,305,168	\$4,242,522	\$3,556,194	\$3,343,849
	Days of Operating	141	105	106	108	78	73
4	Include Funding 100 Percent of Arts Grants Awards in Nevada Arts Council						
	Balance	\$4,777,596	\$4,102,418	\$4,305,168	\$4,242,522	\$3,406,194	\$3,043,849
	Days of Operating	141	105	106	108	75	67

If the three scenarios included in Options 2, 3 and 4 above were approved by the Subcommittee, the Tourism Development Fund would have a reserve that would support 67 days' worth of operating expenditures. This item is provided as additional information regarding the division's reserve balance, and no action is required in this budget.

2. Assembly Bill 410 would revise the membership of the Commission on Tourism to provide for proportionate representation based on population. There does not appear to be a fiscal impact to the Department of Tourism and Cultural Affairs, and the agency has not submitted a fiscal note on the bill. Assembly Bill 410 has been re-referred without recommendation to the Assembly Committee on Ways and Means.

Title: TOURISM - STEWART INDIAN SCHOOL LIVING LEGACY
 Account: 101 - 2601

Budget Page: TOURISM-12, Volume II

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
GENERAL FUND						122,177	
Total Revenues						122,177	
Total FTE						2.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
E275	00	2501	Reduce General Fund appropriations to eliminate overstated EITS services		(353)
Sub-total				0	(353)
Line Item Changes to Revenues				0	(353)

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
E275	26	7000	Reduce IT expenditures to eliminate overstated EITS services		(353)
Sub-total				0	(353)
Line Item Changes to Expenditures				0	(353)
Total				0	0
Grand Total General Fund Impact of Closing Changes				0	(353)

Overview

The Governor recommends a new budget for the planning and operation of the Stewart Indian School Historic District in Carson City. The Stewart Indian School Living Legacy is a Major Budget Initiative that aims to educate the community about the American Indian people, provide information about the Stewart Indian Boarding School, and memorialize the American Indian children who attended the school. The first phase of the project would include restoring two of the existing buildings on the Stewart campus in Carson City that would facilitate a new Cultural Center, as well as a Welcome and Information Center. Future plans for the facility include interpretation trails and exhibits, guided tours and overnight experiential stays.

Major Closing Issues

New Positions

Discussion of Major Closing Issues

New Positions (E-275, TOURISM-12, MAJOR BUDGET INITIATIVES-2): The Governor recommends a General Fund appropriation of \$122,177 in FY 2017 to support the salaries, benefits, and operating expenditures of two new positions, a Museum Director and a Curator, within the proposed Stewart Indian School Living Legacy budget as part of a Major Budget Initiative for the planning and operation of the Stewart Indian School Historic District.

At the Legislative Commission's Budget Subcommittee meeting on January 28, 2015, the agency testified that when the Stewart Indian School in Carson City closed in 1980, the land was conveyed to the state of

Nevada with the provision that Nevada would reserve two buildings to display the crafts, artifacts, and memorabilia related to the Stewart Indian School. The Quitclaim Deed that transferred from the federal government to Nevada approximately 50 acres of land where the Stewart Indian School resides states, "the State of Nevada, wishing to perpetuate the 90-year history of the Stewart Indian School, will reserve Building 1 and Building 3 to house and display the crafts, artifacts and the memorabilia relating to the Stewart Indian School." The deed further states, "If at any time the Secretary of the Interior determines that the grantee has failed to observe any provision or condition of this deed or the aforesaid Act of Congress, and that any such failure has continued for at least one year, he may declare a forfeiture of this entire conveyance and the whole title hereby conveyed shall thereupon revert to the United States." The Quitclaim Deed was signed July 21, 1982. At its hearing on February 11, 2015, the agency indicated they have not received any communications from the Secretary of the Interior indicating the land is in jeopardy of reverting back to the United States.

Capital Improvement Program and Impact on New Positions

The Governor recommends funding for a Capital Improvement Program (CIP) planning project (15-P03) for the Stewart Indian School Historic District in the 2015 CIP. Project number 15-P03 includes \$297,922 in state funding for design development through construction documents for renovating Building 1 and Building 2 on the Stewart campus to house a Cultural Center and a Welcome and Information Center, respectively. Fiscal staff notes the Nevada Indian Commission is currently located in Building 3, which is one of the buildings identified in the Quitclaim Deed that must be reserved to display memorabilia related to the Stewart Indian School. The agency indicates Building 3 does display some memorabilia related to the school; however, according to the agency, the building is not a true Cultural Center specifically dedicated to preserving the school's history. Building 2, which is recommended to house the Welcome and Information Center, is not one of the buildings identified in the deed that must display memorabilia related to the Stewart Indian School.

At its hearing on February 11, 2015, the agency indicated that after The Executive Budget was submitted, it obtained \$137,000 in grant funds through the Commission for Cultural Affairs to begin planning and for design development through construction documents for Building 1 that will house the Cultural Center; consequently, state funds are no longer required for the design and development of the Cultural Center. The agency indicates that in cooperation with the Governor's Office and with the State Public Works Division, the CIP request has been revised to now include the design and construction documents for Building 2 to house the Welcome and Information Center, as well as for the development of a Master Plan document for the entire Stewart Facility. Fiscal staff notes that information on the CIP is provided as informational only; a decision on the approval of the CIP will be made by the Joint Subcommittee on K-12, Higher Education, and CIPs.

New and Existing Positions

Existing Position: In order to commence the planning stages of the Stewart Indian School Historic District, the 2013 Legislature approved a new Program Officer position in the Nevada Indian Commission who was responsible for completing a fund development plan and a building report and schematic for Building 1, in which the Cultural Center will be located. According to the agency, these objectives have been completed. The Program Officer was also responsible for securing grant funding and applying for the facility's designation as a National Historic Landmark. At its hearing on February 11, 2015, the agency indicated it has submitted its letter of intent seeking approval to submit an application for designation as a National Historic Landmark. The agency indicated the approval process can take several years, and if it is approved, the agency is not automatically guaranteed to receive additional grant funding, although designation as a National Historic Landmark would be seen as a benefit on applications for grant funds. In the 2015-17 biennium, the agency indicates the Program Officer position will be responsible for identifying potential funding opportunities for the Stewart Historic District, writing grant proposals and maintaining any awarded grant funds, and assisting the new Museum Director and Curator, as well as other program areas within the department.

New Positions: In order to complete the planning stage of the Stewart Indian School Historic District, the Governor recommends a General Fund appropriation of \$122,177 in FY 2017 to support the salaries, benefits and operating expenditures of a new Museum Director position and a new Curator position. The positions are recommended to start in October 2016 and would be responsible for developing and overseeing the planning stages for the Cultural Center and Welcome and Information Center on the Stewart campus.

With the Governor's recommendation, absent other funding being secured, it appears construction on the buildings would not begin until the 2017-19 biennium, pending approval by the 2017 Legislature, and exhibit design and installation would not be able to occur until FY 2019 at the earliest. The agency indicates that although the renovated facilities would not be open to the public for several years, the new Museum Director and Curator positions would begin the documentation and inventory processes for the Stewart Indian School collections, gather other items of significance to the school that could be used in exhibits, develop policies and procedures of the new Cultural Center, develop programs, apply for grant funding, and assist with fundraising efforts. The Museum Director would communicate and coordinate with existing staff in the Division of Museums and History and industry professionals locally, statewide and nationally. The agency indicates the Museum Director would also work to develop a business plan for the Stewart Indian School to develop policies and procedures to apply for, accept, and expend grant funds and private donations.

Fiscal staff notes that it appears reasonable to establish a Curator position to document Stewart Indian School artifacts, prior to the Legislature approving the construction projects for the Cultural Center and the Welcome and Information Center, as the position would ensure the artifacts are preserved and properly documented. However, some of the duties that would be assigned to the Museum Director are currently performed by the existing Program Officer, while other duties that would be assigned to the Museum Director, presume the 2017 Legislature would fund the construction projects associated with the Stewart Indian School. If CIP construction projects for the Stewart Indian School are not approved by the 2017 Legislature, a Museum Director position may not be required in future biennia. Because the Museum Director position is being recommended by the Governor as part of the overall planning process for the Cultural Center and the Welcome and Information Center, in advance of construction funding, Fiscal staff is unable to determine whether the workload proposed for the Museum Director justifies a full-time position effective October 1, 2016 (FY 2017).

Funding for New Positions

Proposed funding for the two new positions differs from funding approved for staff currently in the Nevada Indian Commission and the other state museums. When the 2011 Legislature approved the creation of the consolidated Department of Tourism and Cultural Affairs, room tax revenues began to partially support the Division of Museums and History, the Nevada Arts Council, and the Nevada Indian Commission. The percent of funding that is received in each agency was determined based on each agency's operations that relate to tourism-generating activities. It was determined that the Division of Museums and History and the Nevada Arts Council would receive 50 percent of its funding from General Fund appropriations and 50 percent from room tax revenue transfers from the Tourism Development Fund, once all other funding sources are considered; the Nevada Indian Commission would receive 75 percent from General Fund appropriations and 25 percent from room tax revenue transfers from the Tourism Development Fund. Fiscal staff notes that it appears the proposed Cultural Center would function similarly to the state's existing museums within the Division of Museums and History in displaying exhibits and providing educational programs to the public; however, as previously indicated, staff at the new Cultural Center are proposed to be funded exclusively with General Fund appropriations.

Fiscal staff notes that the expenditures for e-mail and virtual private network (VPN) accounts through the Enterprise Information Technology Services (EITS) Division included in this recommendation were budgeted for three positions instead of two positions and for 12 months in FY 2017 instead of 9 months. If the Subcommittee approves the recommendation to add the two new positions, Fiscal staff would request authority to eliminate EITS expenditures of approximately \$353 for one extra position and for three extra months of e-mail and VPN accounts.

Does the Subcommittee wish to approve the full-time Museum Director and Curator positions, as recommended by the Governor for FY 2017, and provide Fiscal staff with authority to make technical adjustments to eliminate the overstated EITS expenditures?

The Subcommittee recommended approval of the Governor's recommendation for one new Museum Director and one new Curator, funded with General Fund appropriations, to oversee the planning stages of restoring two existing buildings on the Stewart Indian School Campus to facilitate a new Cultural Center, as well as a Welcome and Information Center. The Subcommittee also recommended approval to eliminate EITS expenditures that were overstated.

Additional Information – No Action Required

1. Assembly Bill 15 establishes the Account for the Protection and Rehabilitation of the Stewart Indian School for the purpose of repairing and maintaining the historic state buildings and grounds of the Stewart Indian School. The new account would be under the authority of the Department of Conservation and Natural Resources. The Assembly passed and approved the bill as introduced on February 19, 2015. Assembly Bill 15 is currently in the Senate Committee on Government Affairs.
2. Senate Bill 63 establishes a gift fund for the Nevada Indian Commission, and would designate the Nevada Indian Commission as the coordinating agency regarding activities at and uses of the buildings and grounds of the former Stewart Indian School. The Senate passed and approved the bill as introduced on March 5, 2015. Senate Bill 63 is currently in the Assembly Committee on Government Affairs.

Title: TOURISM - NEVADA MAGAZINE
 Account: 530 - 1530

Budget Page: TOURISM-25, Volume II

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	82,644	137,485	66.36	94,866	(31.00)	141,673	49.34
INTERAGENCY TRANSFER				50,000		50,000	
OTHER FUND	1,049,830	1,118,437	6.54	1,199,830	7.28	1,199,830	
Total Revenues	1,132,474	1,255,922	10.90	1,344,696	7.07	1,391,503	3.48
Total FTE		7.75		7.75		7.75	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
E130	00	4517	Increase subscription revenue for renewals generated from subscribers added in FY 2016		49,000
E130	00	4663	Eliminate room tax revenue transfers in FY 2017		(50,000)
E710	00	2511	Increase reserves balanced forward to remove four computers		5,196
Sub-total				0	4,196
Line Item Changes to Revenues				0	4,196

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
E130	86	9000	Reduce reserves resulting from the elimination of room tax revenue transfers in FY 2017		(1,000)
E710	26	8000	Decrease expenditures to remove four computers	(5,196)	
E710	86	9000	Increase reserves to remove four computers	5,196	5,196
Sub-total				0	4,196
Line Item Changes to Expenditures				0	4,196

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

Overview

Nevada Magazine is the publications section of the Division of Tourism within the Department of Tourism and Cultural Affairs and is responsible for preparing and producing publications to educate the public about Nevada's activities, heritage, culture, historical monuments, natural wonders, and natural resources, pursuant to *Nevada Revised Statutes* 231.260(10). Published since 1936, the *Nevada Magazine* complements and enhances the Division of Tourism's goal of attracting visitors. Nevada Magazine is an enterprise fund that receives no General Fund appropriations and is funded through subscriptions, advertising revenue, newsstand sales, and calendar sales.

Major Closing Issue

Room Tax Revenue Transfers for Direct Marketing Campaign

Discussion of Major Closing Issue

Room Tax Revenue Transfers for Direct Marketing Campaign (E-130, TOURISM-27): The Governor recommends room tax revenue transfers of \$50,000 in each year of the 2015-17 biennium from the Tourism Development Fund to Nevada Magazine to support a direct marketing campaign. The direct marketing campaign would provide funding for mail offers of subscriptions to *Nevada Magazine* and is projected to generate \$52,000 in new subscription revenue in each year of the 2015-17 biennium, which would be placed in reserves.

The agency would conduct three direct marketing campaigns in each year of the 2015-17 biennium, targeting 75,000 recipients in each year. The agency projects a return rate of 3.5 percent in paid subscriptions for an additional 2,625 new subscribers each year. At its February 11, 2015, hearing, the agency provided that they had 7,712 subscribers in FY 2014, which is 1,494 fewer than the 9,206 subscribers reported for FY 2011. With a projected return rate of 3.5 percent, the direct marketing campaign would increase the magazine's subscriber base by approximately 34.0 percent in FY 2016 from current subscriptions, and 25.4 percent in FY 2017 from FY 2016 projected subscriptions.

The Executive Budget includes additional subscription revenue of \$52,000 generated in each year of the 2015-17 biennium. The agency testified at the February 11, 2015, hearing that this was a conservative estimate, and the actual revenue received will likely be higher. It appears that a portion of the subscription revenue generated from new subscribers in FY 2016 would carry forward to FY 2017, assuming some of the subscribers renew their subscriptions after the first year; however, the recommendation does not provide for renewal revenue generated in FY 2017 from new subscribers added in FY 2016. In response to inquiries regarding the lack of renewal subscription revenue in FY 2017, the agency responded that this was an oversight and that the current renewal rate for *Nevada Magazine* is 94.3 percent; consequently, the agency asked for a technical adjustment to include \$49,000 in renewal subscription revenue in FY 2017 for the new subscribers projected to be added in FY 2016.

The Executive Budget recommends a \$50,000 transfer of room tax revenues in each year of the 2015-17 biennium; however, it appears the additional \$49,000 in renewal subscriber revenue projected in FY 2017 could adequately cover the cost of the direct marketing campaign in the second year, thereby eliminating the need to transfer \$50,000 in FY 2017 from the Tourism Development Fund.

The recommendation does not include any additional expenditures associated with the printing of additional magazines for the 2,625 new subscribers projected in each year. In response to this inquiry, the agency indicates that the revenue generated from the new subscribers would be used to cover the additional printing costs. Additionally, the agency would look for areas in which to decrease the average cost per printed magazine since more copies would be printed. The agency indicates that it is uncertain what the costs will be to produce the additional magazines once they implement various cost saving measures. It intends to submit a work program to the Interim Finance Committee during the 2015-17 biennium for additional authority for print expenditures.

Online Advertising

At its February 11, 2015, hearing, the Subcommittee asked for information regarding the potential of Nevada Magazine placing advertisements on websites (i.e., Google, Facebook, etc.) and whether those efforts would generate new subscribers. The agency responded that the cost to purchase such advertisements outweighs the projected new subscribers. Additionally, the agency indicates that according to other magazines that have utilized these advertising methods, it would take four to five years to generate a positive cash flow.

In response to Fiscal staff's questions regarding why the agency believes a mailer campaign would be more effective than the Groupon and Living Social campaigns or other online advertisements, the agency

responded that the mailer campaign would be able to more effectively reach persons who are 50 years of age and older, which, according to the agency, encompasses the majority of the magazine's reader demographic.

Reserves

The agency testified at its February 11, 2015, hearing that a 30-day reserve level is adequate for this budget; however, when asked about the viability of a 30-day reserve level, the agency responded that the account should ideally have a reserve level of 60 days, but that it has been able to maintain an adequate cash flow with only a 30-day reserve level. The magazine has been experiencing declining subscriptions and its other funding sources, such as advertising revenue, are not always received on a regular basis. As such, it appears to Fiscal staff that a reserve level of 60 days would be an optimal level of reserves for the Nevada Magazine budget. The table below identifies what the agency's ending reserve levels would be if the budget were approved 1) as recommended by the Governor with a technical adjustment to add \$49,000 in subscription revenue in FY 2017; 2) without the \$50,000 transfer from the Tourism Development Fund in FY 2017; and 3) if the Legislature does not approve Decision Unit E-130.

Nevada Magazine Ending Reserves Balance FY 2012 - FY 2017							
Option	Description	Actual Reserves			Projected Reserves		
		FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
1	Governor Recommends and \$49,000 Added for Renewal Subscribers in FY 2017						
	Reserve Balance	\$173,849	\$220,127	\$137,485	\$94,866	\$141,673	\$229,776
	Days of Operating	61	77	44	30	43	69
2	Without \$50,000 Transfer in FY 2017 and \$49,000 Added for Renewal Subscribers in FY 2017						
	Reserve Balance	\$173,849	\$220,127	\$137,485	\$94,866	\$141,673	\$179,776
	Days of Operating	61	77	44	30	43	54
3	Without \$50,000 Transfer for Marketing Campaign in Either Year						
	Reserve Balance	\$173,849	\$220,127	\$137,485	\$94,866	\$89,673	\$76,776
	Days of Operating	61	77	44	30	28	24

Fiscal staff notes that although the fund for the Nevada Magazine is an enterprise fund pursuant to NRS 231.290(1), *Nevada Magazine* is required to be published by the Division of Tourism pursuant to NRS 231.260(10), regardless of whether the fund is profitable or not.

The Subcommittee may wish to consider the following options:

- 1. Approve the Governor's recommendation to transfer room tax revenues of \$50,000 in each year of the 2015-17 biennium for direct marketing campaigns and provide Fiscal staff with technical adjustment authority to add subscription revenue of \$49,000 in FY 2017.**
- 2. Approve the transfer of room tax revenues of \$50,000 in FY 2016 only, and the addition of \$49,000 in subscription renewal revenue to FY 2017, to fund direct marketing campaigns.**
- 3. Not approve the Governor's recommendation to fund direct marketing campaigns with room tax revenues.**

If the Subcommittee approves Option 2 or Option 3 to remove the transfer of room tax revenues from the Tourism Development Fund, Fiscal staff requests authority to make a corresponding technical adjustment in the Tourism Development Fund budget to remove the transfer.

The Subcommittee recommended approval of Option 2, which transfers room tax revenues of \$50,000 in FY 2016, and adds renewal subscription revenues of \$49,000 in FY 2017, to fund direct marketing mail campaigns.

Other Closing Items

1. Replacement Equipment (E-710, TOURISM-28): The Governor recommends a reduction to reserves of \$9,366 in FY 2016 and \$8,026 in FY 2017 to replace 1 desktop computer, 6 iMac computers, 10 Microsoft Office software licenses, and 6 Creative Cloud software licenses. Fiscal staff notes that 4 of the iMac computers included in this recommendation were also approved for replacement in FY 2015 by the 2013 Legislature. Fiscal staff recommends a technical adjustment to reduce replacement equipment expenditures of \$5,196 in FY 2016 for these computers, which is reflected in this closing document. **Fiscal staff recommends the approval of this decision unit with technical adjustments to eliminate expenditure authority for the 4 computers budgeted to be replaced in FY 2015.**
2. Cost Allocation (E-804, TOURISM-28): The Governor recommends a reduction in reserves of \$227 in FY 2016 and \$305 in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Does the Subcommittee wish to approve the Other Closing Items as recommended by the Governor, with the technical adjustment noted in Other Closing Item 1, and provide Fiscal staff with authority to make other technical adjustments as needed?

The Subcommittee recommended approval of Other Closing Items as recommended by the Governor, with the technical adjustment noted in Other Closing Item 1, and authorized Fiscal staff to make other technical adjustments as needed.

Title: TOURISM - MUSEUMS & HIST-NEVADA HISTORICAL SOCIETY
 Account: 101 - 2870

Budget Page: TOURISM-54, Volume II

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(8,037)						
GENERAL FUND	245,116	244,126	(0.40)	283,236	16.02	293,758	3.71
INTERAGENCY TRANSFER	252,079	294,682	16.90	283,236	(3.88)	293,763	3.72
INTERIM FINANCE	1,898						
OTHER FUND	6,544	54,816	737.65	56,929	3.85	58,288	2.39
REVERSIONS	(4,238)						
Total Revenues	493,362	593,624	20.32	623,401	5.02	645,809	3.59
Total FTE		7.00		8.00		8.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	4665	Reduce Museum Dedicated Trust Fund revenue for Administrative Assistant	(50,667)	(51,853)
Sub-total				(50,667)	(51,853)
Line Item Changes to Revenues				(50,667)	(51,853)

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	01	5000	Reduce personnel expenditures for eliminated Administrative Assistant	(50,233)	(51,415)
B000	04	7000	Reduce operating expenditures for eliminated Administrative Assistant	(117)	(117)
B000	26	7000	Reduce IT expenditures for eliminated Administrative Assistant	(236)	(241)
B000	26	7000	Reduce IT expenditures for eliminated Administrative Assistant	(81)	(80)
Sub-total				(50,667)	(51,853)
Line Item Changes to Expenditures				(50,667)	(51,853)

Total 0 0

Grand Total General Fund Impact of Closing Changes 0 0

Overview

The Nevada Historical Society (NHS), located on the University of Nevada, Reno, campus, first opened in 1905 and is the oldest museum in the state. The NHS collects, preserves, and interprets materials that represent Nevada's history for educational and aesthetic purposes. Collections include artifacts, manuscripts, photographs, books, maps, and newspapers. The NHS provides researchers and the public with the most comprehensive collections of Nevada-related historical documents and presents an active public events and exhibits schedule that includes school youth, adult, and family programs. The NHS is funded through General Fund appropriations, room tax revenue transfers from the Tourism Development Fund budget, admission fees and Museum Dedicated Trust Funds, which include sales from the museum's store and private donations.

Major Closing Issues

1. New Museum Director Position
2. Museum Dedicated Trust Funded Vacant Position

Discussion of Major Closing Issues

1. New Museum Director Position (E-227, TOURISM-56): The Governor recommends \$61,349 (General Fund appropriation of \$30,674) in FY 2016 and \$81,142 (General Fund appropriation of \$40,570) in FY 2017 for the salary, benefits, and operating expenditures of a new Museum Director position to oversee operations, programs and planning at the NHS. The Museum Director position was eliminated from the NHS during the 2009-11 biennium as a result of budget reductions, and the Administrator of the Division of Museums and History assumed direct administrative oversight of the Nevada Historical Society. A lead Curator position currently oversees operations at the NHS.

According to the agency, the Museum Director would provide leadership to staff and volunteers and develop partnerships with public and cultural organizations throughout the state. The NHS is currently accredited by the American Alliance of Museums. The agency indicates NHS's future accreditation, which is scheduled for the second half of calendar year 2015, as well as support from donors, are threatened without a director position, as accreditation with the American Alliance of Museums increases the museum's credibility and value to donors, policy makers, insurers, and the community. Fiscal staff reviewed the American Alliance of Museums' website, which includes the eligibility criteria for accreditation. The website specifically indicates that a museum must have a full-time director to whom authority is delegated for day-to-day operations.

The agency further indicates that NHS does not currently have enough curators to assist with research or with the creation of original exhibit content and programs, as the lead Curator position is currently responsible for overseeing administrative and budgetary functions, production schedules, and daily requests at NHS. The agency testified during its February 11, 2015, hearing that the elimination of the Museum Director position has decreased the museum's ability to maintain its administrative services and community outreach for long-term sustainability. Fiscal staff notes that NHS is the only museum of the state's seven existing museums that does not currently have a Museum Director position.

The NHS had a total of ten positions when it was open six days per week prior to the 2009-11 biennium. During the economic downturn in the 2009-11 biennium, museum operations throughout the state were reduced, full-time staff were reduced to 0.8 FTE, and the Nevada Historical Society's hours of operations were reduced from six days per week to four days per week. In addition to the Museum Director, a Curator and an Accountant Technician were eliminated from the NHS during that time as a result of budget reductions. The 2013 Legislature restored NHS's staff to full-time status, which allowed NHS to operate five days per week, Tuesday through Saturday. The NHS currently has seven positions, and the addition of a Museum Director would bring the total to eight positions. The agency had originally testified during the February 11, 2015, hearing that the new Museum Director position would allow the NHS to increase its hours of operations; however, in response to subsequent inquiries, the agency responded that after conducting a thorough analysis of NHS's operations, the addition of a Museum Director position would not provide adequate staffing for the museum's programs, exhibits and research library activities to be able to support an additional day of operation.

Does the Subcommittee wish to approve the addition of one new Museum Director position and associated costs at the Nevada Historical Society?

The Subcommittee recommended approval of the Governor's recommendation for a new Museum Director at the Nevada Historical Society.

2. Museum Dedicated Trust Funded Vacant Position (BASE, TOURISM-54): Each museum budget receives support from the Museum Dedicated Trust Fund (MDTF). *Nevada Revised Statutes* 381.0031 - 381.0033 specifies that private money received through proceeds from property received by the Division of Museums and History or through a private grant are deposited to the MDTF, and the money must be spent pursuant to the specific instructions of the donor or the discretion of the Board of Museums and History. These funds are used to support staff within the museum stores, as the store sales directly benefit the MDTF.

Prior to the 2013 Legislature's approval of the Division of Museums and History's budgets, the agency had indicated to Fiscal staff that it anticipated sufficient funding in the MDTF to make the transfers approved for the 2013-15 biennium. The Nevada Historical Society budget received trust funds of \$828 in FY 2014, and has received \$765 to date in FY 2015. Due to the lack of available funding in the MDTF, the Board of Museums and History voted to suspend funding to support an Administrative Assistant position in this budget in an effort to improve trust fund net revenue. As a result, the Administrative Assistant position has remained vacant since August of 2011, and the transfers that are made only support the assessment costs for the vacant position. Fiscal staff notes that The Executive Budget includes expenditure authority of \$50,233 in FY 2016 and \$51,415 in FY 2017 to support the salary and benefits of this Administrative Assistant position. At the time of this writing, \$192,603 was on hand in the Nevada Historical Society Trust Fund account.

Although the Administrative Assistant position has been vacant for more than three years, the agency indicates the position should be retained in the event the MDTF generates enough funding to support the position and the Board of Museums and History decides to fill the position in the 2015-17 biennium. As an alternative to the Governor's recommendation to retain the Administrative Assistant position during the 2015-17 biennium, the Subcommittee may wish to consider eliminating the position, with Interim Finance Committee approval necessary to reinstate the position.

The Subcommittee may wish to consider the following options related to the vacant Administrative Assistant position:

1. **Approve the continuation of the vacant Administrative Assistant position as recommended by the Governor, and allow the agency to determine if there is adequate funding to support the position during the 2015-17 biennium.**
2. **Eliminate the vacant Administrative Assistant position and direct the agency to seek approval from the Interim Finance Committee to reestablish this position if the Board of Museums and History determines there is adequate funding to support the position during the interim of the 2015-17 biennium.**

The Subcommittee recommended approval of Option 2 to eliminate the vacant Administrative Assistant position and direct the agency to seek approval from the Interim Finance Committee to reestablish the position if the Board of Museums and History determines there is adequate funding to support the position during the 2015-17 biennium.

Other Closing Items

1. Travel Increase (E-228, TOURISM-56): The Governor recommends \$1,755 (General Fund appropriations of \$878) in each year of the 2015-17 biennium for travel expenditures for the new Museum Director to attend three Board of Museums and History and divisional administrative/staff meetings. In addition, this recommendation includes travel expenditures for exhibit staff to transport exhibits and for a curator to conduct historical research for planned exhibits. Fiscal staff notes this recommendation includes \$1,181 for travel in each year of the 2015-17 biennium for the new

Museum Director recommended in the Major Closing Issue above. If the new Museum Director is not approved, the agency indicates the travel expenditures would still be needed for the lead Curator position to travel to the same meetings. **This recommendation appears reasonable.**

2. Replacement Equipment (E-710, TOURISM-57): The Governor recommends \$2,491 (General Fund appropriation of \$1,245) in FY 2016 to replace one desktop computer and one printer. **This recommendation appears reasonable.**
3. Cost Allocation (E-804, TOURISM-57-58): The Governor recommends \$205 (General Fund appropriation of \$86) in FY 2016 and \$275 (General Fund appropriation of \$119) in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Does the Subcommittee wish to approve the Other Closing Items as recommended by the Governor and provide Fiscal staff with authority to make technical adjustments as needed?

The Subcommittee recommended approval of Other Closing Items as recommended by the Governor and authorized Fiscal staff to make other technical adjustments as needed.

Additional Information – No Action Required

2015 Capital Improvement Program (CIP) Project (APPENDIX-5): The Governor recommends funding for one CIP project for the Nevada Historical Society in the 2015 CIP to provide security, safety and drainage improvements. Project number 15-M33 includes \$262,235 in state funding to install an exit door awning, five exit stairway landings, and a nighttime motion sensor lighting system outside the building. The project also includes the replacement of exit signs, the roof hatch, and the main entry door assembly.

Title: TOURISM - MUSEUMS & HIST - NEVADA STATE MUSEUM, LV
 Account: 101 - 2943

Budget Page: TOURISM-67, Volume II

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(22,866)						
GENERAL FUND	649,406	656,549	1.10	713,757	8.71	725,357	1.63
INTERAGENCY TRANSFER	658,237	665,528	1.11	713,759	7.25	725,359	1.63
INTERIM FINANCE	53,172						
OTHER FUND	56,893	140,438	146.85	130,322	(7.20)	131,856	1.18
Total Revenues	1,394,842	1,462,515	4.85	1,557,838	6.52	1,582,572	1.59
Total FTE		18.51		19.51		19.51	

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

The Nevada State Museum, Las Vegas, located at the Las Vegas Springs Preserve, opened in October 2011. The museum is a 70,000 square-foot facility that serves the public through collecting, preserving, and interpreting artifacts, specimens, and historical documents representing Southern Nevada, with emphasis on its relationship to the Mojave Desert. Long-term and short-term exhibit galleries feature prehistory, history, and natural history collections of interest to residents and tourists; public library/archives contain premier Southern Nevada historical photographs and records for use by residents and researchers. The museum also has an education program that serves schools as well as residents and out-of-state visitors through programs, tours, workshops, and events. The museum is funded through General Fund appropriations, room tax transfers from the Commission on Tourism, admission fees, and Museum Dedicated Trust Funds, which are comprised of private donations and sales from the museum's store.

Major Closing Issues

1. New Museum Attendant Position
2. Museum Dedicated Trust Funded Vacant Position

Discussion of Major Closing Issues

1. **New Museum Attendant Position (E-228, TOURISM-69):** The Governor recommends total funding of \$35,628 (\$17,814 General Fund appropriation) in FY 2016 and \$43,709 (\$21,854 General Fund appropriation) in FY 2017 for one new Museum Attendant position at the Nevada State Museum in Las Vegas to allow the museum to open one additional day per week. During the economic downturn in the 2009-11 biennium, museum operations throughout the state were reduced from seven to four days per week and full-time staff (1.0 FTE) were reduced to 0.8 FTE. When the museum opened in FY 2012, it employed seventeen 0.8 FTE positions and three half-time positions, and was open four days per week. The 2013 Legislature provided additional funding to restore existing staff back from 0.8 FTE to 1.0 FTE. With the restored staffing, the Nevada State Museum, Las Vegas increased its hours of operation to five days per week, Thursday through Monday. The new Museum Attendant position recommended by the Governor in the 2015-17 biennium would allow the museum to expand its hours of operation to six days per week, Wednesday through Monday.

The museum has found that schools in the area rarely schedule field trips on Mondays or Fridays. With the current operating hours, Thursday is the only day available for schools to tour the museum. The addition of a Museum Attendant position, along with schedule modifications among existing staff, would allow the museum to open on Wednesdays, thereby increasing the opportunities for schools, as well as the general public, to visit the museum.

Pursuant to NRS 381.0045, children under the age of 18 must be admitted to the state's museums free of charge. As such, the increase in availability for school field trips would not generate additional revenue; however, increased admissions for the general public as a result of operating one additional day per week would result in additional admissions revenue earned towards the guaranteed minimum admissions levels. The agency projects an additional 3,900 visitors to the museum in FY 2016 and an additional 5,200 visitors in FY 2017 with the additional day of operation.

The Nevada State Museum in Las Vegas is located on the campus of the Las Vegas Springs Preserve (LVSP), which is owned by the Las Vegas Valley Water District (LVVWD). When the museum opened in 2011, the division entered into a Cooperative Agreement with the LVVWD allowing for a resource sharing plan at the LVSP. In January 2015, the division and LVVWD renegotiated their Cooperative Agreement. The new agreement provides similar terms to the original agreement. The division will continue to receive the same minimum revenue guarantee of \$53,172 in each year, as well as 10 percent of revenue generated from adult ticket sales in excess of the minimum revenue guarantee. The new Cooperative Agreement continues to include a provision that when visitors purchase annual membership to the Las Vegas Springs Preserve, they are also offered an opportunity to purchase an annual membership at the museum for an additional \$10. This additional revenue is transferred to the museum at the end of each fiscal year along with the minimum guaranteed amount. In FY 2014, the museum received \$1,550 in additional member support of the museum. The museum has not generated revenues in excess of the minimum guaranteed amount since the museum opened in FY 2012, and is not projected to exceed that amount in the 2015-17 biennium, even with the proposed Museum Attendant position and additional operating hours.

Does the Subcommittee wish to approve the addition of one new Museum Attendant position and associated costs to allow the museum to open one additional day per week?

The Subcommittee recommended approval of the Governor's recommendation to add one Museum Attendant position and associated costs to allow the Nevada State Museum, Las Vegas to open one additional day per week.

2. Museum Dedicated Trust Funded Vacant Position (Base, TOURISM-67): Each museum budget receives support from the Museum Dedicated Trust Fund (MDTF). *Nevada Revised Statutes* 381.0031 - 381.0033 specifies that private money received through proceeds from property received by the Division of Museums and History or through a private grant are deposited to the MDTF, and the money must be spent pursuant to the specific instructions of the donor or the discretion of the Board of Museums and History. These funds are used to support staff within the museum stores, as the store sales directly benefit the MDTF.

Prior to the 2013 Legislature's approval of the Division of Museums and History's budgets, the agency had indicated to Fiscal staff that it anticipated sufficient funding in the MDTF to make the transfers approved for the 2013-15 biennium. The Nevada State Museum in Las Vegas received trust funds of \$56,893 in FY 2014, and has received \$20,192 to date in FY 2015. In December 2013, the Board of Museums and History voted to suspend funding for the support of a Retail Storekeeper in this budget due to the lack of revenue in the MDTF, which resulted in the layoff of the incumbent effective January 31, 2014. The MDTF continues to fund a part-time Museum Attendant at the museum. Fiscal staff notes that The Executive Budget includes expenditure authority of \$48,548 in FY 2016 and \$49,690 in FY 2017 to support the salary and benefits of the Retail Storekeeper position. At the time of this writing, \$36,266 was on hand in the Trust Fund account, which is insufficient to support the position.

In response to questions following the February 11, 2015, hearing, the agency indicated the museum store had underperformed, resulting in the MDTF routinely subsidizing the store's operations. The agency indicates the Board of Museums and History has appointed a subcommittee to actively engage in the review of all museum store operations with a goal of improving profitability especially at the underperforming stores. Museum retail store consultants were brought in and input and suggestions on how to reach consistent profitability were provided and implemented, and the store has realized some improvements. The agency confirms this is an ongoing effort and the board receives reports on store performance regularly, intending to restore funding to the position once consistent profitability is achieved.

Although the Retail Storekeeper position has been vacant for more than a year, the agency indicates the position should be retained in the event the MDTF generates enough funding to support the position and the Board of Museums and History decides to fill the position in the 2015-17 biennium.

The Subcommittee may wish to consider the following options related to the vacant Retail Storekeeper position:

1. **Approve the continuation of the vacant Retail Storekeeper position as recommended by the Governor and allow the agency to determine if there is adequate funding to support the position during the 2015-17 biennium.**
2. **Eliminate the vacant Retail Storekeeper position and direct the agency to seek approval from the Interim Finance Committee to reestablish this position if the Board of Museums and History determines there is adequate funding to support the position during the interim of the 2015-17 biennium.**

<p>The Subcommittee recommended approval of Option 1 to retain the vacant Retail Storekeeper position as recommended by the Governor and allow the agency to determine if there is adequate funding to support the position during the 2015-17 biennium.</p>

Other Closing Items

1. **Replacement Equipment (E-710, TOURISM-70)**: The Governor recommends total funding of \$4,412 (\$2,206 in General Fund appropriations) in FY 2016 and \$1,388 (\$694 in General Fund appropriations) in FY 2017 to replace four desktop computers and one printer. **This recommendation appears reasonable.**
2. **Cost Allocation (E-804, TOURISM-70)**: The Governor recommends total funding of \$542 (\$251 in General Fund appropriations) in FY 2016 and \$728 (\$340 in General Fund appropriations) in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Fiscal staff recommends that Other Closing Items 1 and 2 be approved as recommended by the Governor and requests authority to make technical adjustments as needed.

<p>The Subcommittee recommended approval of Other Closing Items as recommended by the Governor and authorized Fiscal staff to make other technical adjustments as needed.</p>
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Additional Information – No Action Required

2015 Capital Improvement Program (CIP) Project (APPENDIX-5): The Governor recommends funding for one CIP project for this museum in the 2015 CIP. Project number 15-M32 includes \$232,077 in state funding to inspect and adjust the museum's mechanical systems to ensure they are operating properly. The project also includes the modification of several of the existing constant volume air handling units so they can provide proper dehumidification.

Title: TOURISM - NEVADA ARTS COUNCIL
 Account: 101 - 2979

Budget Page: TOURISM-84, Volume II

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
Revenues							
BALANCE FORWARD	(39,383)	74,098	(288.15)	17,999	(75.71)	17,999	
FEDERAL FUND	635,800	663,500	4.36	663,500		663,500	
GENERAL FUND	537,513	534,381	(0.58)	725,581	35.78	730,237	0.64
INTERAGENCY TRANSFER	742,732	734,382	(1.12)	775,676	5.62	783,989	1.07
OTHER FUND	75,235	81,157	7.87	67,207	(17.19)	67,207	
REVERSIONS	(12,291)						
Total Revenues	1,939,606	2,087,518	7.63	2,249,963	7.78	2,262,932	0.58
Total FTE		10.00		10.00		10.00	

Adjustments to Revenue

Dec Unit	Cat	GL	Description	2015-16	2016-17
E226	00	2501	Eliminate General Fund appropriations to fund arts grant awards	(150,000)	(150,000)
E226	00	4663	Increase room tax revenue transfers to fund arts grant awards	175,000	175,000
E710	00	2501	Reduce revenue for computers not eligible for replacement	(1,887)	(1,887)
E710	00	4663	Reduce revenue for computers not eligible for replacement	(1,887)	(1,887)
Sub-total				21,226	21,226
Line Item Changes to Revenues				21,226	21,226

Adjustments to Expenditures

Dec Unit	Cat	GL	Description	2015-16	2016-17
E226	27	8000	Increase expenditures for arts grant awards	25,000	25,000
E710	26	8000	Reduce IT expenditures for computers not eligible for replacement	(3,774)	(3,774)
Sub-total				21,226	21,226
Line Item Changes to Expenditures				21,226	21,226
Total				0	0
Grand Total General Fund Impact of Closing Changes				(151,887)	(151,887)

Overview

Nevada Arts Council (NAC) works in partnership with schools, arts institutions, artists, municipalities and tribal organizations to support diverse cultural activities, such as folklife festivals, youth artwork projects, concert series, and traveling arts exhibits. The NAC provides grants; offers professional assistance to artists, cultural organizations and schools; and coordinates statewide arts programming and activities for Nevada's cultural workforce. The NAC is divided into six programs: Grants, Arts Education, Community Arts Development, Public Awareness and Arts Initiatives, Folklife, and Artist Services. A nine member board, appointed by the Governor, advises the agency on cultural policies and approves grant allocations. The NAC is funded through General Fund appropriations, room tax revenue transfers from the Tourism Development Fund budget, federal grant funding, specialized license plate charges, registration fees, and donations.

Major Closing Issues

Increase in General Fund Grant Awards

Discussion of Major Closing Issues

Increase in General Fund Grant Awards (E-226, TOURISM-86): The Governor recommends General Fund appropriations of \$150,000 in each year of the 2015-17 biennium to increase funding for the NAC’s arts grant awards for organizational support, projects, and arts learning activities. The agency indicates increased funding would support the NAC’s efforts to increase art accessibility and education in Nevada’s urban and rural regions, as well as increase NAC’s ability to leverage new funding and partnerships, and stimulate local economies.

For the 2013-15 biennium, the Governor recommended \$125,000 in room tax revenue transfers in each year for increased arts grant awards with similar objectives. The 2013 Legislature increased the approved amount to \$200,000 in room tax revenue transfers in each year. The agency’s base budget continues to reflect the transfer of \$200,000 in room tax revenue approved for this purpose. With the addition of the \$150,000 per year recommended in this decision unit, total funding for grant awards issued by the NAC would be \$933,015 in each year of the 2015-17 biennium, compared to \$767,246 issued in FY 2014, an increase of 21.6 percent. Funding for grant awards recommended in The Executive Budget that are supported by General Fund appropriations, room tax revenue transfers, and federal grant funds are displayed in the following table.

**Governor's Recommended Funding for Grants Awarded by the Nevada Arts Council
(Excluding Grants Issued Through License Plate Initiative Expenditure Category)**

Funding Source	FY 2016	% of Total	FY 2017	% of Total	Biennium Total	% of Total
General Funds	250,000	26.8%	250,000	26.8%	500,000	26.8%
Room Tax	300,000	32.2%	300,000	32.2%	600,000	32.2%
Federal Funds	383,015	41.0%	383,015	41.0%	766,030	41.0%
Total	933,015	100.0%	933,015	100.0%	1,866,030	100.0%

The agency states that it received a total of 462 grant applications in FY 2014 that requested \$1.5 million in funding, and awarded a total of 298 grants worth \$783,493, with an actual distribution of \$767,246.

The Nevada Arts Council experienced a decrease in its revenues during the state’s recent economic recession. The following table summarizes the agency’s revenues realized in prior biennia as compared to the Governor’s recommendation for the 2015-17 biennium. For simplification purposes, the table only shows General Fund appropriations, room tax revenue transfers and federal grant funds. It does not display other smaller funding sources including donations, publication sales, registration fees and specialty license plate charges. While the funding mix has changed, the agency’s revenues are projected to exceed total funding realized in FY 2010 of \$2.0 million; however, the agency’s revenues are not projected to exceed the total funding it received at the start of the recession in FY 2008 totaling \$2.8 million, which is not included in the following table.

**Nevada Arts Council Actual versus Projected Revenue
FY 2010 - FY 2017**

	Actual Revenue					Projected FY 2015	Governor Recommends	
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014		FY 2016	FY 2017
General Funds*	\$1,023,226	\$1,030,505	\$590,235	\$488,175	\$525,222	\$534,381	\$725,581	\$730,237
Room Tax*	\$0	\$0	\$335,688	\$574,680	\$730,053	\$734,382	\$775,676	\$783,989
Federal Funds	\$1,007,810	\$849,079	\$833,916	\$681,700	\$635,800	\$663,500	\$663,500	\$663,500
Total	\$2,031,036	\$1,879,584	\$1,759,839	\$1,744,555	\$1,891,075	\$1,932,263	\$2,164,757	\$2,177,726

* Total General Fund appropriation and room tax revenue transfers received after reversions at the close of each fiscal year.

As indicated in the previous table, room tax revenue transfers are now the largest funding source for the NAC. When the NAC merged with the Department of Tourism and Cultural Affairs during the 2011-13 biennium, the 2011 Legislature approved the split of NAC’s funding for operations, once all other funding sources were considered, as 50 percent General Fund appropriations and 50 percent room tax revenue transfers. Aside from the difference of \$200,000 per year in room tax revenue transfers and the

recommended \$150,000 per year in General Fund appropriations for arts grant awards, as well as the requirement that the Attorney General's Cost Allocation be funded with only non-General Fund revenue sources, NAC's remaining expenditures are recommended to continue to be funded with 50 percent from General Fund appropriations and 50 percent from room tax revenue transfers in the 2015-17 biennium.

During its February 11, 2015, hearing, the Subcommittee asked the department if the proposed increase in revenue to the Nevada Arts Council could be funded with room tax revenue transfers in lieu of General Fund appropriations. The Division of Tourism indicated that it did not agree that room tax revenue transfers should replace General Fund appropriations in this recommendation, as it was the department's understanding that room tax revenue transfers to support the Nevada Arts Council were a temporary solution when the state was in an economic recession. It appears the Tourism Development Fund has a sufficient reserve balance to support this alternative. With the most recent room tax revenue projections, the Tourism Development Fund is projected to have a reserve balance of \$3.4 million at the end of FY 2017, which would support operating expenditures for 75 days. If an additional \$150,000 in room tax revenues were transferred to the Nevada Arts Council in each year of the 2015-17 biennium, the Tourism Development Fund would have a reserve balance of \$3.1 million at the end of FY 2017, which would support operating expenditures for 68 days.

The Subcommittee may wish to consider the following options:

- 1. Approve the Governor's recommendation to provide additional General Fund appropriations of \$150,000 in each year of the biennium for arts grant awards.**
- 2. Approve the increase to arts grant awards issued as recommended by the Governor; however, fund the \$150,000 annual increase with room tax revenue transfers from the Tourism Development Fund.**
- 3. Not approve the Governor's recommendation to increase arts grant awards issued by the Nevada Arts Council.**

The Subcommittee recommended approval to transfer room tax revenue of \$175,000 in each year of the 2015-17 biennium from the Tourism Development Fund to support an increase in arts grant awards.

Other Closing Items

- Replacement Equipment (E-710, TOURISM-87):** The Governor recommends \$20,538 (General Fund appropriation of \$10,269) in FY 2016 and \$14,598 (General Fund appropriation of \$7,299) in FY 2017 for six desktop computers, two laptop computers, two servers, two projectors, and various software licenses. Fiscal staff notes that the six desktop computers included in this recommendation were acquired in FY 2013 and would not be eligible for replacement until FY 2018. In response to inquiries from Fiscal staff regarding the eligibility for replacement of these computers, the agency agreed that they should be removed from The Executive Budget in the 2015-17 biennium. The technical adjustments to eliminate \$3,774 in each year of the 2015-17 biennium for six desktop computers have been incorporated into this closing document. **Fiscal staff recommends approval of this decision unit with a technical adjustment to eliminate six desktop computers.**
- Cost Allocation (E-804, TOURISM-87):** The Governor recommends \$293 (General Fund appropriation of \$147) in FY 2016 and \$394 (General Fund appropriation of \$197) in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Does the Subcommittee wish to approve the Other Closing Items as recommended by the Governor, with the technical adjustment noted in Other Closing Item 1, and provide Fiscal staff with authority to make other technical adjustments as needed?

The Subcommittee recommended approval of Other Closing Items as recommended by the Governor, with the technical adjustment noted in Other Closing Item 1, and provided Fiscal staff with authority to make other technical adjustments as needed.

Title: TOURISM - INDIAN COMMISSION
 Account: 101 - 2600

Budget Page: TOURISM-31, Volume II

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(4,073)						
GENERAL FUND	189,600	188,442	(0.61)	201,568	6.97	208,819	3.60
INTERAGENCY TRANSFER	72,157	68,246	(5.42)	67,189	(1.55)	72,852	8.43
REVERSIONS	(12,086)						
Total Revenues	245,598	256,688	4.52	268,757	4.70	281,671	4.81
Total FTE		3.00		3.00		3.00	

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 Indian Commission develops and improves cooperation and communication between Indian tribes and the state, local governments, and other public agencies with the goal of improving and enhancing the lives of Nevada’s Native American citizens. The Nevada Indian Commission also aims to improve the understanding of Nevada’s Tribal cultures throughout all of Nevada’s populace. The Nevada Indian Commission consists of five members appointed by the Governor. The Nevada Indian Commission is funded with General Fund appropriations and room tax revenue transfers from the Tourism Development Fund budget. The 2011 Legislature approved a funding split of 75 percent General Fund appropriations and 25 percent room tax revenue transfers for this budget. This funding mix is recommended to continue in the upcoming biennium in The Executive Budget.

Major Closing Issues

There are no major closing issues.

Other Closing Items

1. Replacement Equipment (E-710, TOURISM-33): The Governor recommends total funding of \$1,588 (\$1,191 General Fund appropriation) in FY 2016 and \$330 (\$248 General Fund appropriation) in FY 2017 to replace one desktop computer and two Microsoft Office software licenses. **This recommendation appears reasonable.**

2. New Equipment (E-720, TOURISM-33-34): The Governor recommends total funding of \$6,497 (\$4,873 General Fund appropriation) in FY 2017 for one new server to allow the agency to share its electronic files. The agency indicates that any files that need to be shared between the three employees must be e-mailed. The new server will allow the Nevada Indian Commission to store its electronic files and provide a method to back-up its files in the event of power outages or disabled computers. **This recommendation appears reasonable.**
3. Cost Allocation (E-804, TOURISM-34): The Governor recommends total funding of \$88 (\$66 General Fund appropriation) in FY 2016 and \$118 (\$88 General Fund appropriation) in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Fiscal staff recommends this budget be closed as recommended by the Governor and requests authority to make technical adjustments as necessary.

<p>The Subcommittee recommended approval of Other Closing Items as recommended by the Governor and authorized Fiscal staff to make other technical adjustments as necessary.</p>

Title: TOURISM - MUSEUMS & HISTORY
 Account: 101 - 2941

Budget Page: TOURISM-44, Volume II

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(726)						
GENERAL FUND	179,260	178,687	(0.32)	208,594	16.74	208,671	0.04
INTERAGENCY TRANSFER	184,702	181,394	(1.79)	208,593	14.99	208,673	0.04
REVERSIONS	(721)						
Total Revenues	362,515	360,081	(0.67)	417,187	15.86	417,344	0.04
Total FTE		4.00		4.00		4.00	

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 Division of Museums and History, Office of the Administrator, is responsible for the oversight and administration of the statewide museum system. The division includes the administration office in Carson City and the following facilities: the Nevada State Museum and the Nevada State Railroad Museum in Carson City, the Nevada Historical Society in Reno, the Nevada State Museum in Las Vegas, the Boulder City Railroad Museum, the East Ely Railroad Depot Museum, and the Lost City Museum in Overton. The Office of the Administrator is funded equally through General Fund appropriations and room tax revenue transfers from the Tourism Development Fund budget.

Major Closing Issues

There are no major closing issues.

Other Closing Items

- Office Move (E-225, TOURISM-46):** The Governor recommends \$31,774 (\$15,887 in General Fund appropriations) in FY 2016 and \$28,327 (\$14,163 in General Fund appropriations) in FY 2017 to fund a new building lease and associated moving costs for the division's Office of the Administrator staff. In the spring of 2014, the division submitted a request for a Capital Improvement Program (CIP) project to repair the roof and make electrical service upgrades at the division's administrative office building. The repairs and upgrades were needed due to a fire that had occurred prior to the state accepting the

building in a land and real property transfer from Carson City in 2000. Upon inspection by the State Public Works Division in preparation for the CIP project, it was determined the building was unsafe and had to be vacated by November 10, 2014, before the possibility of a large amount of snow accumulation on the roof could occur. The CIP project to repair the building was estimated at \$513,000 and was not put forward as a project recommended by the Governor in the 2015-17 biennium; the estimated replacement value of the building is \$375,000. Once the estimated costs for repair were determined, a second CIP project was prepared for design through construction documents for a new building on the site to house other small agencies in addition to the Division of Museums and History. That project was estimated to cost \$440,246, and was also not recommended by the Governor in the 2015-17 biennium.

The staff have since moved out of the building and are now sharing office space with the Division of Tourism in the Paul Laxalt State Building until such time as they receive approval and funding to move to a new location. The agency indicates the Division of Tourism has consolidated its space and has redirected the use of a conference room in order for the staff to move into that building, but considers this a temporary solution as that space is still needed for the division's operations. The agency indicates that if this recommendation is approved, a new lease could be entered into for potential locations in Carson City by October 1, 2015. **This recommendation appears reasonable.**

2. Replacement Equipment (E-710, TOURISM-46-47): The Governor recommends \$1,575 (\$788 in General Fund appropriations) in FY 2016 and \$2,491 (\$1,246 in General Fund appropriations) in FY 2017 for one desktop computer, one laptop computer, and one printer. **This recommendation appears reasonable.**
3. New Equipment (E-720, TOURISM-47): The Governor recommends \$6,037 (\$3,018 in General Fund appropriations) in each year of the 2015-17 biennium for two interactive computer kiosks with associated wiring costs to connect the kiosks to the state network. Each kiosk costs \$5,237 and would be owned by the agency. Two kiosks that were approved by the 2013 Legislature are currently in the Nevada State Museum in Carson City and the Lost City Museum in Overton. This recommendation would provide kiosks at the Nevada State Museum in Las Vegas and the Nevada State Railroad Museum in Carson City. The kiosks capture visitor information, provide resource information about the museums (i.e., maps, special programs and events), and allow for marketing opportunities such as providing museum store coupons and information on other local attractions. The kiosks are also able to conduct exit surveys to measure visitor satisfaction and capture visitor information such as place of domicile. The agency indicates the testing phase of the two existing kiosks was only recently completed, so the museums do not yet have significant visitor data to determine the effectiveness or use rate of the kiosks.

The agency indicates the existing and new kiosks would be placed strategically at the museums' entries and based on maximum visitor flow patterns within the museums. The Nevada State Museum in Las Vegas was chosen as one of the museums to place a new kiosk due to the cooperative agreement in which joint tickets are sold by the Las Vegas Springs Preserve; consequently, the museum has no opportunity to gather visitor data at a point of sale. The Nevada State Railroad Museum in Carson City was chosen as the other museum in which to locate a new kiosk due to the two types of programs offered at that museum: 1) traditional museum exhibits; and 2) seasonal train rides aboard historic railroad equipment. Further, the primary vehicle traffic flow through Carson City currently passes directly by the museum; plans for the freeway extension in Carson City would bypass the museum, creating a need to understand and capitalize on visitors' motivation for attending the museum. **This recommendation appears reasonable.**

4. Cost Allocation (E-804, TOURISM-47): The Governor recommends total funding of \$117 (\$59 in General Fund appropriations) in FY 2016 and \$157 (\$78 in General Fund appropriations) in FY 2017 for centralized human resource services provided by the Division of Human Resource Management. **This recommendation appears reasonable.**

Fiscal staff recommends the Other Closing Items be approved as recommended by the Governor and requests authority to make technical adjustments as needed.

<p>The Subcommittee recommended approval of Other Closing Items as recommended by the Governor and authorized Fiscal staff to make other technical adjustments as needed.</p>
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