

**PUBLIC SAFETY, NATURAL RESOURCES AND  
TRANSPORTATION JOINT SUBCOMMITTEE  
CLOSING LIST #5  
May 5, 2015**

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	<u>Volume III</u>
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Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

**Title:** DMV - SYSTEM MODERNIZATION  
**Account:** 201 - 4716

**Budget Page:** DMV-17, Volume III

Revenues	2013-14 Actual	2014-15 WP	%	2015-16 GOV REC	%	2016-17 GOV REC	%
HIGHWAY FUND				23,489,684		17,046,929	(27.43)
OTHER FUND				4,000,000		5,800,000	45.00
Total Revenues				27,489,684		22,846,929	(16.89)
<b>Total FTE</b>				7.00		16.00	

**Adjustments to Revenue**

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

**Adjustments to Expenditures**

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

**Overview**

The Governor recommends a new Department of Motor Vehicles (DMV) System Modernization budget, which would isolate the expenditures associated with the Governor's recommendation to begin replacement of the DMV's computer system. This project is expected to be implemented over the next five years (three biennia) and cost an estimated \$109.4 million. This project would be funded primarily with Highway Fund appropriations and a proposed technology fee.

**Major Closing Issue**

Replacement of the DMV Computer System

**Discussion of Major Closing Issue**

Replacement of the DMV Computer System (E-550, DMV-17): The Governor recommends Highway Fund appropriations of \$40.5 million and Technology Fee revenue of \$9.8 million over the 2015-17 biennium in a new System Modernization budget to begin funding the replacement of the department's current Common Business Oriented Language (COBOL) mainframe and PowerBuilder computer system that was implemented 16 years ago. The department indicates this new system would provide additional functionality, enhanced security, and disaster recovery capabilities. To implement this project, the Governor recommends 35 contract positions and 7 new state positions beginning in FY 2016 and 9 additional state positions beginning in FY 2017. The department indicates it plans to request 6 additional state positions beginning in FY 2018. The Governor also recommends implementing a new

\$1.00 technology fee that would be charged for each transaction performed by DMV customers. The Executive Budget identifies the DMV system modernization project as a Major Budget Initiative for the 2015-17 biennium (MAJOR BUDGET INITIATIVES–38 & 39).

#### Current DMV Computer System

The DMV's current computer system, the Combined Automotive Revenue and Registration System (CARRS), was implemented in 1999. This system is currently composed of a COBOL based mainframe application and PowerBuilder applications, which run on different platforms. In addition to CARRS, many sections within the department have other unintegrated computer systems to meet their needs. This includes a web-based system used by the Motor Carrier Division, which was transferred to the department after CARRS was implemented.

The DMV indicates it conducts approximately 8.4 million transactions annually, which the department estimates will increase by 6 percent in each year of the 2015-17 biennium. According to the DMV, many of these transactions cannot be performed through CARRS. In addition, the DMV cites the following issues and limitations it has with its existing system:

- Utilization of the COBOL programming language, which makes it difficult for the agency to recruit programming staff. The agency indicates recruitment difficulties have contributed to its current information technology (IT) workload backlog, which the agency projects would take over seven years for its existing staff to complete.
- Inability to integrate and automate the collection and distribution of revenue collected by the DMV, which totaled \$1.1 billion in FY 2014, and is projected to increase to \$1.2 billion in FY 2015, \$1.3 billion in FY 2016, and \$1.4 billion in FY 2017. Because of this limitation, some revenue collection and distribution activities are handled manually using spreadsheets.
- Inability to integrate accounts receivable functions, which limits the department's ability to track and collect money using alternative methods, such as payment plans for customers.
- Inability to automate the testing of enhancements and modifications to the system, which requires extensive manual testing and delays final deployment.
- Viable security threat due to numerous applications that may not utilize the latest security technology.
- Inability to track and manage customer correspondences and cases.

The department estimates that due to these issues and limitations, CARRS is unable to accommodate 60 percent of the DMV's system requirements necessitating the use of manual processes or other vendor-provided solutions.

#### Projected Benefits of a New DMV Computer System

The DMV indicates these issues and limitations would be addressed by a new integrated application that would run on a single platform and provide the following benefits:

- Provide for a faster launch of new products and services utilizing modern technology and programming platforms.
- Increase transaction efficiency by 30 percent due to process improvements and automation, which would allow the DMV to manage its increasing number of customers.
- Reduce the department's IT project backlog.
- Integrate the department's financial system to automate processes associated with the collection and distribution of revenue.
- Provide for business analytics, including predictive analysis and forecasting capabilities.
- Allow the department to respond to state and federal mandated changes in a timely manner.
- Automate the testing of system enhancements, which would allow for faster deployment and reduce the number of production bugs.
- Integrate a scanning application to capture and store customer information.

- Provide for a customer relationship management system, with real-time chat support, call routing, and integrated help.
- Consolidate project management and application tracking to automate the timelines and work assignments as new projects are undertaken.
- Provide real-time system performance monitoring to quickly identify issues affecting the system.
- Provide for disaster recovery that would allow all systems to function and all data to be recoverable.
- Provide enhanced data security by implementing industry standard technology.
- Secure additional grant funds for the state based on the new system's ability to meet additional federal standards.
- Possibly expand services offered at kiosks and on the Internet.

During its previous system implementation effort, the DMV experienced major difficulties in rolling out the system to the extent that the Interim Finance Committee (IFC) approved a Subcommittee to monitor and review issues associated with the implementation. That implementation effort, called Project Genesis, resulted in a tremendous amount of additional resources to allow the department to function and make numerous follow-up modifications to the system. During its March 10, 2015, hearing, the Subcommittee on Public Safety, Transportation, and Natural Resources questioned the department on what lessons it learned from the implementation of the current DMV system, and how the agency would ensure similar issues did not occur with the proposed system. The agency indicated it would enact the following measures to ensure a smooth transition between the two systems:

- Vendor Management: Project Genesis was managed by the vendor with limited management from the department. The system modernization project would be managed by the DMV with project expectations, timelines, milestones, and deliverables mutually agreed upon by the department and the vendor.
- Project Management Team: The DMV would have its own project management team consisting of subject matter experts and experienced consultants. This team would report directly to the project's Executive Oversight Committee consisting of the Director and Deputy Director, which would allow for timely decision-making and quick resolution of issues.
- Final Payments: The selected vendor would not receive final payments for developing functions until the department determines the function meets agreed upon standards.
- Service Level Agreements: The vendor contract would include an agreement between the vendor and the department related to project scope, quality, and responsibilities.
- Independent Verification and Validation Consultants: The department would utilize these independent positions experienced in large-scale system implementations to assess the project timelines, progress, costs, security components, and system design.
- Phased Implementation: The department would not deploy all aspects of the system at one time, but rather utilize a phased rollout of the system by function.
- Project Planning: Based on input from subject matter experts, the project management team, and the vendor, the department would complete project and sub-project planning prior to any system programming.
- Development and Testing: The selected vendor would be required to include software development tools that would increase system testing capabilities, which would enable issues to be addressed prior to system deployment.
- Training: The selected vendor would be required to include integrated help for users, as well as training software that enables users to practice and learn the new software.

#### Projected Implementation Costs for a New DMV Computer System

The department indicates other states' departments of motor vehicles were surveyed to assist in projecting the average cost to implement a new computer system. The DMV found that the cost to implement new systems in other states ranged from \$40 million in New Mexico to \$93.4 million in Colorado, which did not

include system hardware costs. The DMV indicates the variation in costs was due to the level of IT changes each state implemented and the number of business functions performed by that state's DMV. During the department's budget hearing on March 10, 2015, the department indicated it handled approximately 40 various business functions. The department indicates that some of these functions, such as fuel tax collection, emissions control, and motor vehicle business licensing, are not performed by other state DMV.

Based on the survey of other states, conversations with vendors, and projected staffing needs, the DMV projects the total cost for its new computer system would be approximately \$109.4 million over five years based on expenditures in the following areas:

DMV System Modernization Project: Five-Year Projected Expenses (Millions)	
Customizable Commercial Off-the-Shelf Software	\$57.8
Master Service Agreement Contractors (35 Contractors)	\$25.8
Agency Infrastructure (System Hardware)	\$17.7
New Agency Staff (22 Positions)	\$6.3
Facility Expenditures to House 75 Individuals Working on the Project	\$1.8
Total:	\$109.4

The department projects the expenditures of \$109.4 million would be distributed over five fiscal years as provided in the following table. Fiscal staff would note the department indicates it has incorporated a 5 percent funding contingency in FY 2018, FY 2019, and FY 2020 that would enable the department to incorporate future legislative requirements or unfunded federal mandates into the new system.

DMV System Modernization Project: Five-Year Projected Expenses					
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Customizable Software	\$14,087,500	\$14,087,500	\$11,833,500	\$8,875,125	\$8,875,125
Master Service Agreement Contractors	\$2,021,920	\$5,747,680	\$6,147,680	\$5,747,680	\$6,147,680
Agency Infrastructure	\$10,359,472	\$1,836,996	\$1,836,996	\$1,836,996	\$1,836,996
New Agency Staff	\$163,928	\$814,565	\$1,632,183	\$1,803,320	\$1,881,383
Facility Expenditures	\$856,864	\$360,188	\$192,614	\$192,614	\$192,614
Total	\$27,489,684	\$22,846,929	\$21,642,973	\$18,455,735	\$18,933,798

*Customizable Commercial Off-the-Shelf (COTS) Software:* The department indicates requests for information (RFI) were not issued in developing the projected amount; however, approximately seven software vendors that developed motor vehicle systems in the United States and Canada were invited to visit the department and learn more about its operations and system needs. These vendors visited the department and returned in subsequent weeks with presentations detailing their system solutions. The department indicates these presentations also included informal quotes from the vendors. The department indicates all vendors proposed to use customizable COTS software and the projected software cost is based upon these presentations. The department indicates the COTS software would utilize technology that incorporates the latest industry standards that would allow the system to remain current as technology evolves.

*Master Service Agreement (MSA) Contractors:* The department plans to utilize 35 MSA contractors to provide support for the development of the new system as provided in the following table:

DMV System Modernization Project: Recommended MSA Contractors	
Positions	Position Title
12	DMV Services Technician
10	Senior Programmer Analyst
6	Senior Project Manager
5	Business Process Analyst
2	Independent Verification Consultants
35	Total

The department indicates the Project Management Team would be comprised of the Senior Project Manager and Business Process Analyst positions. This team would manage various portions related to the system modernization project. The DMV Services Technician and Senior Programmer Analyst positions would be used to backfill existing department positions responsible for maintaining the legacy system. This would allow existing staff to work and train on the new system, so they become familiar with its functionality. The Independent Verification Consultant positions would provide direct, independent reporting to the DMV Director on the progress of the system modernization project.

*Agency Infrastructure:* The department indicates this cost is unknown until the software vendor is chosen and the related hardware needs are determined. The department based its projection on a hardware quote provided by a vendor for the projected hardware infrastructure costs and the department's projected ongoing maintenance costs for the hardware. The department indicates the actual infrastructure cost would be dependent on the type of platform needed, which would include either an Oracle or Microsoft based platform.

*New Agency Staff:* To develop and implement this project, the DMV indicates 22 new positions would be required over the project's five-year implementation period, with 7 positions beginning in FY 2016, 9 additional positions beginning in FY 2017, and 6 additional positions projected to begin in FY 2018.

DMV System Modernization Project: Recommended New State Positions		
Start	Positions	Position Title
FY 2016	5	Business Process Analyst
	2	IT Professional
FY 2017	2	IT Technician
	4	IT Professional
	3	DMV Services Technician
FY 2018	4	IT Technician
	2	IT Professional
	22	Total

Fiscal staff would note the eight IT positions recommended for the 2015-17 biennium are budgeted at a salary step 5, with the department indicating it is difficult to hire individuals for these positions at a lower salary. The department indicates it determined the number of new positions and the start dates for these positions based on planning meetings, which considered the estimated project timeline, the duties for each proposed position, and the fiscal year each position was projected to be needed. During the department's budget hearing on March 10, 2015, the department indicated that it did not know if these positions would be eliminated upon completion of the project or would be reassigned to assist with the maintenance of the system.

*Facility Expenditures:* The department projects \$192,614 would be required each year of the project's five-year implementation period for additional office facilities to accommodate 75 positions working on the system modernization project. These positions include 55 of the 57 state and MSA positions and

20 positions employed by the awarded vendor. The DMV is working with the state Public Works Division to identify a location that could house these positions. The department also indicates the following expenditures would be required in the 2015-17 biennium to establish this office facility:

DMV System Modernization Project: Facility Expenditures for the 2015-17 Biennium	
New Furnishings for 69 Individuals	\$319,335
Computers, Hardware, and Software	\$217,082
Telephone Equipment and Wiring	\$108,951
Office Equipment and Supplies	\$98,930
Power Panel Installation for New System	\$65,000
EITS Phone Services	\$22,527
<b>Total:</b>	<b>\$831,825</b>

Recommended Funding for a New DMV Computer System

As previously indicated, the Governor recommends Highway Fund appropriations of \$40.5 million and Technology Fee revenue of \$9.8 million over the 2015-17 biennium for the new DMV computer system. The Executive Budget estimates the \$9.8 million Technology Fee revenue would be generated from a new \$1.00 technology fee on every original, renewal, or reissue DMV transaction, including transactions performed at DMV field offices, on the Internet, or at a kiosk. The Technology Fee revenue projection was based on the actual transactions conducted in FY 2014. This includes transactions related to driver’s licenses, vehicle registrations, off-highway vehicle registrations, name/address changes, driver authorization cards, and medical marijuana cards. The department indicates the collection of this new fee would commence in November 2015, and continue in perpetuity to provide funding for ongoing expenditures associated with maintaining and enhancing the system. Senate Bill (S.B.) 502, as amended by the Senate Committee on Transportation on April 9, 2015, would authorize the collection of the \$1.00 technology fee on all DMV transactions and would create the new System Modernization budget. In addition, S.B. 502, as amended, would provide for the exclusion of Highway Fund appropriations in the System Modernization budget from the calculation of the department’s administration cap and would allow unspent funds in this budget to be retained and not revert to the Highway Fund.

The department indicates the next step in its system modernization project would be issuing a request for proposal (RFP) from vendors. Fiscal staff would note the IFC approved a \$140,256 allocation from the IFC Contingency Account (Highway Fund) in FY 2015 to fund a contract Project Manager position in the DMV Automation budget to develop an RFP for the system modernization project. The department anticipates releasing the RFP by July 2015.

On March 6, 2015, the Executive Budget Office submitted Budget Amendment A150024716, which recommends a reduction in Highway Fund appropriations of \$2.9 million in FY 2016 and corresponding reductions in operating expenditures. This budget amendment recommends a reduction in the planned expenditures for the new system’s COTS software, which the DMV indicates would be delayed until FY 2018. This budget amendment is a companion to Budget Amendment A150044735 for the Field Services budget, which recommends funding the 75 new positions proposed for the 2015-17 biennium beginning on July 1, 2015, as opposed to start dates ranging between October 2015 and October 2016. The DMV indicates the reduction in Highway Fund appropriations would not affect the planned implementation of the system modernization project, as these expenditures would only be delayed. If the Subcommittee approves the system modernization project, Fiscal staff requests authority to enter this budget amendment, regardless of the Subcommittee’s action in the Field Services budget. Since the department indicates these expenditures would be delayed, this budget amendment would allow the Highway Fund appropriations of \$2.9 million in FY 2016 to be utilized for other purposes over the 2015-17 biennium.

As previously mentioned, the DMV experienced major difficulties during its previous system implementation effort, which required monitoring and oversight from the IFC. Although the department indicates similar issues should not occur, the Subcommittee may wish to issue a letter of intent to the DMV requesting biannual status reports be submitted to the IFC until the project is completed, to update members of the money committees on the milestones achieved during the system's development and implementation. The status reports should provide updates on the selection of the vendor, major accomplishments, and progress toward system implementation.

### **Options for Consideration**

**Does the Subcommittee wish to approve the Governor's recommendation for Highway Fund appropriations of \$37.7 million and Technology Fee revenue of \$9.8 million over the 2015-17 biennium in the new System Modernization budget, which reflects approval of Budget Amendment A150024716, to begin funding the replacement of the department's computer system?**

**If the Subcommittee chooses to approve the system modernization project, it may wish to consider including one or more of the following provisions:**

- 1. Allow Highway Fund appropriations to be transferred between fiscal years within a biennium for the System Modernization budget only.**
- 2. Due to the timing associated with the release of the RFP, it does not appear that an accurate cost assessment of the customizable off-the-shelf software would be available until late 2015. Accordingly, the Subcommittee may wish to approve the addition of Highway Fund appropriations of \$11.2 million in FY 2016 and \$14.1 million in FY 2017 to the IFC Contingency Fund for vendor costs associated with the customizable off-the-shelf software. These funds would be allocated by the IFC upon submittal of a vendor cost proposal for the customizable off-the-shelf software. Any unspent funds would revert to the Highway Fund at the end of FY 2017.**
- 3. Issue a letter of intent requiring biannual reports to the Interim Finance Committee, beginning six months after the agency receives approval from the IFC for the vendor costs associated with the customizable off-the-shelf software, regarding the system modernization project milestones and progress toward implementation.**



Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

**Title:** DMV - DIRECTOR'S OFFICE  
**Account:** 201 - 4744

**Budget Page:** DMV-19, Volume III

Revenues	2013-14 Actual	2014-15 WP	%	2015-16 GOV REC	%	2016-17 GOV REC	%
HIGHWAY FUND	2,574,023	2,732,211	6.15	2,927,594	7.15	3,067,289	4.77
INTERAGENCY TRANSFER	1,694,498	1,911,809	12.82	1,947,386	1.86	2,080,316	6.83
OTHER FUND	297						
REVERSIONS	(40,277)						
<b>Total Revenues</b>	<b>4,228,541</b>	<b>4,644,020</b>	<b>9.83</b>	<b>4,874,980</b>	<b>4.97</b>	<b>5,147,605</b>	<b>5.59</b>
<b>Total FTE</b>		<b>24.00</b>		<b>26.00</b>		<b>26.00</b>	

**Adjustments to Revenue**

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

**Adjustments to Expenditures**

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

<b>Total</b>	0	0
<b>Grand Total General Fund Impact of Closing Changes</b>	0	0

**Overview**

The Director's Office is responsible for the general administration of the Department of Motor Vehicles (DMV) and oversees seven divisions, including Administrative Services, Field Services, Central Services, Compliance Enforcement, Motor Carrier, Management Services and Programs, and Motor Vehicles Information Technology (Automation). The Director's Office has statutory authority to direct and supervise all administrative and technical activities, to adopt regulations as necessary for its operation, subject to approval by the Legislative Commission, and to enforce the laws it administers. Through its Public Information Office, the Director's Office is responsible for media inquiries and increased public awareness of new regulatory requirements, traffic laws or program changes. The Director's Office also directs the work of professional and technical staff for training, recruitment and selection of employees, safety programs, internal employee relations and liaison with other state agencies through its personnel section.

**Major Closing Issues**

1. New Internal Administrative Investigation Unit
2. Public Awareness Campaign Expansion

## **Discussion of Major Closing Issues**

1. **New Internal Administrative Investigation Unit (E-250, DMV-22)**: The Governor recommends Highway Fund appropriations of \$147,515 in FY 2016 and \$170,532 in FY 2017 for two new Compliance/Audit Investigator positions (one in Southern Nevada and one in Northern Nevada) and one new Administrative Assistant position to establish a new Internal Administrative Investigation Unit. The Executive Budget indicates this unit would be part of the Human Resource Services section and would investigate allegations against department employees to determine if disciplinary action is warranted. These investigations may include policy violations, performance-based issues, or leave abuse. The department indicates the number of investigations increased in recent years, as provided in the following table.

DMV Administrative Investigations Conducted	
FY 2011	9
FY 2012	14
FY 2013	16
FY 2014	25
FY 2015*	30
* Investigations initiated through April 28, 2015	

The DMV indicates these investigations were performed by the employee's supervisor in the past; however, it was clarified in 2011 that *Nevada Administrative Code* (NAC) 284.655 requires these investigations be performed by an impartial party. The department has addressed this requirement by utilizing supervisors from other areas of the DMV to conduct investigations. However, the DMV indicates this diverts resources from other areas in the department and does not allow for consistent or timely investigations, which must be completed within 90 days per NRS 284.387. The department indicates the recommended unit would address these issues by providing dedicated staff who would conduct interviews, perform research, maintain files, prepare final reports, and train supervisors on the investigation process.

Fiscal staff asked the department the average amount of time spent on an investigation over the last five years and the department indicated it did not track the time spent during that period. However, the department indicated the average amount of time spent on an investigation was 45 days in 2013, as measured by the time an investigation request was received until the final report was completed. Fiscal staff asked if one Compliance Investigator position could conduct these investigations and the department indicated two positions were recommended to provide coverage in both Northern Nevada and Southern Nevada. The department indicates agency staff is somewhat evenly split between the two geographic areas. In addition, the department indicated that the best practice is to have two investigators present when interviews are being conducted since these investigations may result in legal action by employees being investigated. The department indicated a second, trained investigator would serve as a witness for these interviews via video conference or telephone. The department also indicated that these positions would train approximately 200 department supervisory staff members on progressive discipline and investigative processes to ensure these processes are applied consistently in the department.

During the department's budget hearing on March 10, 2015, the department indicated the recommended unit would be similar to units in the Department of Public Safety (DPS) and the Nevada Department of Corrections (NDOC) that ensure professional standards are maintained by employees. The department indicates a similar unit is appropriate for the DMV since it is also a large agency with both sworn and civilian employees. However, the department has a much smaller law enforcement function compared to DPS or the NDOC, as evidenced by the number of sworn versus non-sworn positions, which are currently 30 and 1,141.53 respectively. The agency indicated it views the DPS and NDOC units as model investigations units that provide fair and consistent investigations.

**Does the Subcommittee wish to approve the Governor's recommendation for two new Compliance Investigator positions and one new Administrative Assistant position to establish a new Internal Administrative Investigation Unit in the DMV Director's Office?**

2. Public Awareness Campaign Expansion (E-226, DMV-21): The Governor recommends Highway Fund appropriations of \$150,251 in each year of the 2015-17 biennium to increase advertising and public awareness of DMV services. The Director's Office base budget includes \$87,874 in each year of the 2015-17 biennium for the Public Awareness Campaign expenditure category and this recommendation would bring the total public awareness funding to \$238,125 in each year of the 2015-17 biennium, an increase of 171 percent. The department's expenditures in its Public Awareness Campaign category have remained relatively consistent over the last five fiscal years, ranging from a high of \$94,494 in FY 2010 to a low of \$87,874 in FY 2014. The department indicates that increasing its Public Awareness Campaign budget to \$238,125 in each year of the 2015-17 biennium would allow 75 percent of DMV customers to receive the department's message five times throughout the year through television, radio, and the Internet. The department indicates its proposed television and radio campaigns would cover both the Las Vegas and Reno markets and its proposed online advertising would cover the entire state. The department indicates the increased Public Awareness Campaign budget would also allow for bilingual advertising.

During the department's budget hearing on March 10, 2015, the department indicated the use of alternative technologies by DMV customers, including kiosks and the MyDMV web portal, have increased from 1.45 million transactions in FY 2013 to 1.69 million transactions in FY 2014, which represents a 16.8 percent increase. However, the department indicates the 1.69 million transactions conducted in FY 2014 reflected only 23 percent of the 7.4 million total transactions conducted by the DMV in FY 2014. The department indicates that educating additional members of the public about the use of alternative tools and services would divert individuals from DMV field offices, allowing the agency to manage its customer growth; however, no documentation was provided indicating the number of individuals that may be diverted. The department also indicates that some customers who must perform business in a DMV field office do not have the appropriate documentation during their first visit, which causes these individuals to make a second trip to complete their transaction. The department indicates its expanded Public Awareness Campaign budget would educate customers on the documents that are required to complete their transactions at the DMV, which may reduce the number of customers who make repeat visits to the DMV to complete their transactions. The department indicates these repeat visits contribute to the wait times at the field offices.

**Does the Subcommittee wish to approve the Governor's recommendation for Highway Fund appropriation of \$150,251 in each year of the 2015-17 biennium to increase advertising and public awareness of DMV services?**

**Other Closing Items**

1. SharePoint Software Training (E-229, DMV-21): The Governor recommends a Highway Fund appropriation of \$2,400 in FY 2016 to provide two staff members with Microsoft SharePoint software training. SharePoint software allows users to share files and organize content when working on a collaborative project. The two staff members would attend a train-the-trainer course, which would enable these individuals to train other DMV staff on the use of SharePoint. The department indicates it currently has a limited number of SharePoint licenses and this training would allow additional members to utilize these licenses after receiving SharePoint training. **This recommendation appears reasonable.**

2. Fingerprinting of Recommended New Field Services Positions (E-230, DMV-22): The Governor recommends Reimbursement of Expenses revenue of \$2,000 in FY 2016 and \$1,000 in FY 2017 for the Department of Public Safety fingerprinting of the 75 new positions recommended in Decision Unit E-225 in the DMV Field Services Division (DMV-98). On March 6, 2015, the Executive Budget Office submitted Budget Amendment A150054744, which recommends Reimbursement of Expenses revenue of \$3,000 in FY 2016. This budget amendment is a companion to Budget Amendment A150044735 for the Field Services budget, which recommends all 75 new positions recommended by the Governor begin on July 1, 2015. This decision unit and amendment is discussed in detail in the Field Services budget. **Fiscal staff requests authority to enter technical adjustments for this decision unit based on decisions made by the Subcommittee in the Field Services budget.**
3. Replacement Equipment (E-710, DMV-23): The Governor recommends Highway Fund appropriations of \$10,546 in FY 2016 and \$3,367 in FY 2017 to replace 12 secretarial chairs, 3 fax machines, 2 shredders, 2 digital cameras, and 2 projectors. **This recommendation appears reasonable.**
4. Replacement Technology Equipment (E-715, DMV-23 & 24): The Governor recommends Highway Fund appropriations of \$37,511 in FY 2016 and \$107,716 in FY 2017 to replace 50 desktop computers, 7 laptop computers, 9 dual monitors and cards, 41 flat-panel monitors, 26 printers, 50 surge protectors, 50 Microsoft Office Suite software packages, and 50 Windows Client Access licenses. **This recommendation appears reasonable.**
5. Transfer Auditor Position (E-900, DMV 24): The Governor recommends reductions in Highway Fund appropriations of \$94,039 in FY 2016 and \$95,586 in FY 2017 to transfer an Auditor position from the Director's Office to the Administrative Services Division (ASD). The DMV indicates this position performs internal audits for the department and has been reporting to the ASD Administrator since 2012. This recommendation would align the position's expenditures with the appropriate division budget. **This recommendation appears reasonable.**
6. Transfer Copier Machine (E-901, DMV-24): The Governor recommends Highway Fund appropriations of \$2,677 in FY 2016 and \$2,352 in FY 2017 to transfer expenditures related to a copier from the Administrative Services Division to the Director's Office. The department indicates this transfer would align copier expenditures with the appropriate budget. **This recommendation appears reasonable.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor, and provide authority for Fiscal staff to make any necessary technical adjustments for Other Closing Item 2, and technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

**Other Information – No Action is Necessary**

1. Administration Cap and Redirection of the GST Commissions and Penalties Revenue: Under *Nevada Revised Statutes (NRS) 408.235*, the department may not expend more than 22 percent of Highway Fund collections (excluding gasoline tax revenue) on administration. The 2011 Legislature redirected Governmental Services Tax (GST) Commissions and GST Penalties revenue from the Field Services and Motor Carrier budgets of the department to the General Fund in each year of the 2011-13 biennium. Due to the redirection of these revenue sources, the Legislature approved a temporary increase on the use of Highway Fund collections for administration from 22 percent to 33 percent for the 2011-13 biennium and appropriated Highway Funds in place of these redirected revenue sources. For the 2013-15 biennium, the 2013 Legislature approved redirecting GST Commissions and GST Penalties revenue to the General Fund in FY 2015 only. The Legislature also approved increasing the administration cap from 22 percent to 32 percent in FY 2015 only and replaced the GST Commissions and GST Penalties revenue with Highway Fund appropriations. This provision sunsets on June 30, 2015.

The Governor recommends continuing the redirection of GST Commissions revenue and GST Penalties revenue to the General Fund in both years of the 2015-17 biennium with the transfer recommended to sunset on June 30, 2017. Based on the DMV's April 2015, revenue projections, GST Commissions revenue is projected to total \$49.8 million and the GST Penalties revenue is projected to total \$11.0 million over the 2015-17 biennium. Similar to previous biennia, the Governor recommends increasing the DMV administration cap from 22 percent to 31 percent in each year of the 2015-17 biennium and replacing the GST Commissions and GST Penalties revenue with Highway Fund appropriations in the Field Services budget and the Motor Carrier budget.

Based on revenue projections provided by the department in April 2015, Highway Fund proceeds (excluding gasoline tax revenue) are projected to be \$253.4 million in FY 2015, \$259.2 million in FY 2016 and \$263.9 million in FY 2017, which reflect increases of 2.3 percent in FY 2016 and 1.8 percent in FY 2017. Based on these projections, the 31 percent cap threshold would be \$83.7 million for FY 2016 and \$85.0 million for FY 2017 (including projected Highway Fund reversions from Records Search, Insurance Verification, and Special Plates Trust budgets). Excluding estimated gasoline tax administration costs that are subject to a separate 1 percent cap under NRS 408.235, and the DMV System Modernization budget (discussed in detail in that budget closing document), The Executive Budget recommends Highway Fund appropriations in the amount of \$75.7 million in FY 2016 and \$79.2 million in FY 2017, which exceeds the legislatively approved FY 2015 level of \$71.1 million by \$4.6 million (6.4 percent) and \$8.1 million (11.3 percent), respectively. The Governor's recommended budget for the DMV exceeds the long-standing 22 percent cap by approximately \$16.3 million in FY 2016 and \$18.9 million in FY 2017 based on the revised projections submitted in April 2015. However, the Governor's recommended budget for the DMV appears to remain under the recommended 31 percent cap by approximately \$8.0 million in FY 2016 and \$5.7 million in FY 2017.

2. Capital Improvement Program and Replacement Sahara Field Office (APPENDIX-4-6): The Governor's recommended Capital Improvement Program (CIP) reflects Highway Fund appropriations of \$4.6 million for four capital improvement projects for the department over the 2015-17 biennium. The projects include:

- \$1.7 million for the replacement of the HVAC system at the DMV Flamingo Field Services Office (15-M28).
- \$1.8 million for building upgrades at the DMV Flamingo Field Services Office, including repainting the exterior, renovating the restrooms, and replacing carpet and tiles (15-M29).
- \$741,590 for the replacement of flooring at the Decatur, Donovan, and Henderson DMV Field Services Offices (15-M31).
- \$379,824 for sidewalk installation at the Henderson DMV Field Services Office and pavement maintenance at the Donovan DMV Field Services Offices (15-S05h1).

The Governor's recommended CIP also includes \$23.5 million in funding for the replacement of the DMV Office on East Sahara Avenue in Las Vegas (15-C04). The Executive Budget Office, in consultation with the Office of the State Treasurer, recommends the new Sahara DMV field office be funded with 20-year general obligation bonds with debt service payments utilizing the Highway Fund (87.5 percent) and fee funding from the Motor Vehicle Pollution Control budget (12.5 percent). The decision regarding the Governor's recommended CIP is scheduled to be made by the K-12/Higher Education/CIPs Joint Subcommittee at its May 18, 2015, meeting.

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 W02 - WORKING VERSION 2

Title: DMV - HEARINGS  
 Account: 201 - 4732

Budget Page: DMV-31, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
<b>Revenues</b>							
HIGHWAY FUND	1,218,868	1,218,942	0.01	1,227,688	0.72	1,225,418	(0.18)
OTHER FUND	3,350	4,289	28.03	3,350	(21.89)	3,350	
REVERSIONS	(103,853)						
Total Revenues	1,118,365	1,223,231	9.38	1,231,038	0.64	1,228,768	(0.18)
<b>Total FTE</b>		12.00		11.00		11.00	

**Adjustments to Revenue**

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

**Adjustments to Expenditures**

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

**Overview**

The Office of Administrative Hearings within the Department of Motor Vehicles (DMV) Director's Office conducts administrative hearings in accordance with *Nevada Revised Statutes* (NRS), *Nevada Administrative Code* (NAC), and existing case law to ensure the public's right to appeal administrative sanctions imposed by the department. The administrative hearings address issues ranging from the suspension or revocation of a citizen's driving privilege or vehicle registration, to the revocation or suspension of a license to conduct business-involving motor vehicles in Nevada. The Office of Administrative Hearings is funded primarily with Highway Fund appropriations.

**Major Closing Issue**

Elimination of Adjudicator Position and New Videoconference Equipment

**Discussion of Major Closing Issue**

Elimination of Adjudicator Position and New Videoconference Equipment (E-600 & E-720, DMV-32, 33 & 34): The Governor recommends reductions in Highway Fund appropriations of \$65,706 in FY 2016 and \$68,245 in FY 2017 to eliminate a Driving Under the Influence (DUI) Adjudicator position (E-600). Fiscal staff would note that if this position is eliminated, the Governor also recommends the elimination of the planned replacement of one desktop computer, one dual monitor and card, one printer, one surge protector strip, one Microsoft Office Suite software package, and one Windows Client Access license that are included in Decision Unit E-715. The state Division of Human Resource Management indicates this

position, located in Las Vegas, has been vacant since December 2013. In the three years prior to this position becoming vacant, the department indicates the position heard an average of 73 cases each month. The department indicates the remaining Administrative Law Judge positions could absorb that workload.

To assist with the distribution of workload, the Governor also recommends Highway Fund appropriations of \$40,160 in FY 2016 and \$2,781 in FY 2017 for new videoconference equipment and associated maintenance costs (E-720). This equipment would enable the agency to balance its workload by conducting videoconferenced hearings in Southern Nevada utilizing the two Northern Nevada Administrative Law Judge positions or conducting videoconferenced hearings in Northern Nevada utilizing the three Southern Nevada Administrative Law Judge positions. The agency indicates its Northern Nevada Administrative Law Judge positions have conducted telephonic hearings to assist with Southern Nevada cases. However, according to the agency, it is sometimes difficult for these positions to decipher which party is speaking into the record. The use of videoconference equipment would enable the Administrative Law Judges to see individuals as they speak. Fiscal staff asked the agency if existing DMV videoconference equipment could be used by the Office of Administrative Hearings. The department indicated the existing videoconference equipment is heavily utilized, which makes it difficult to schedule and hold hearings using the existing equipment.

**Does the Subcommittee wish to approve the elimination of a vacant DUI Adjudicator position and approve the purchase of new videoconference equipment and associated maintenance costs?**

#### **Other Closing Items**

1. Replacement Equipment (E-710, DMV-33): The Governor recommends Highway Fund appropriations of \$1,200 in FY 2016 and \$5,576 in FY 2017 to replace six secretarial chairs, six digital voice recorders, five transcription devices, and one shredder. The department indicates one digital voice recorder recommended in this decision unit may be eliminated if the DUI Adjudicator position is eliminated. Fiscal staff requests authority to enter a technical adjustment based on the Subcommittee's action for the DUI Adjudicator position. **This recommendation appears reasonable.**
2. Replacement Technology Equipment (E-715, DMV-34): The Governor recommends Highway Fund appropriations of \$12,679 in FY 2016 and \$33,420 in FY 2017 to replace 11 desktop computers, 2 laptop computers, 11 dual monitors and cards, 9 color scanners, 11 printers, 11 surge protector strips, 3 printer paper trays, 11 Microsoft Office Suite software packages, and 11 Windows Client Access licenses. **This recommendation appears reasonable.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor and provide authority for Fiscal staff to make the technical adjustment noted in Other Closing Item 1, and other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

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 Subcommittee  
 W02 - WORKING VERSION 2

Title: DMV - AUTOMATION  
 Account: 201 - 4715

Budget Page: DMV-36, Volume III

	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
<b>Revenues</b>							
BALANCE FORWARD	(460,225)	460,225	(200.00)				
FEDERAL FUND							
HIGHWAY FUND	6,542,517	5,426,976	(17.05)	5,372,568	(1.00)	5,184,807	(3.49)
INTERAGENCY TRANSFER	3,402,048	3,722,624	9.42	4,054,345	8.91	3,753,331	(7.42)
INTERIM FINANCE		140,256					
OTHER FUND	658,561	949,893	44.24	812,102	(14.51)	659,296	(18.82)
REVERSIONS	(1,103,025)						
Total Revenues	9,039,876	10,699,974	18.36	10,239,015	(4.31)	9,597,434	(6.27)
<b>Total FTE</b>		68.00		70.00		70.00	

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2507	Increase Highway Fund appropriations for updates to other revenue transfers.	220,237	222,977
B000	00	3842	Reduce Records Search revenue.	(203,929)	(203,929)
B000	00	4231	Increase the Pollution Control budget cost allocation due to technical adjustments.	2,740	
B000	00	4231	Increase the Pollution Control budget cost allocation due to updated cost for Web Essentials maintenance agreement.	571	571
E719	00	2507	Reduce Highway Fund appropriations due to elimination of microwave equipment.	(28,134)	
E719	00	4231	Reduce the Pollution Control budget cost allocation due to elimination of microwave equipment.	(3,666)	
<b>Sub-total</b>				(12,181)	19,619
<b>Line Item Changes to Revenues</b>				(12,181)	19,619

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	26	7000	Technical Adjustment - Updated cost for Web Essentials maintenance agreement.	19,619	19,619
E719	26	8000	Technical Adjustment - Eliminate microwave equipment.	(31,800)	
<b>Sub-total</b>				(12,181)	19,619
<b>Line Item Changes to Expenditures</b>				(12,181)	19,619

<b>Total</b>				0	0
<b>Grand Total General Fund Impact of Closing Changes</b>				0	0

**Overview**

The Motor Vehicle Information Technology (MVIT) Division is organized into several groups, which include Applications Programming, Network Support, System Support, Framework Control, Operations, and Help Desk Support. The MVIT is tasked with enhancing the Department of Motor Vehicles (DMV) application, supporting the Internet and kiosk applications, maintaining the department's personal computers and printers statewide, and building safe and secure interfaces between the DMV and other agencies. The funding for the Automation budget is primarily provided through a combination of Highway Fund appropriations and fees transferred from the DMV Records Search budget.



## **Major Closing Issue**

Two New Information Technology Technician Positions and New Security Software.

### **Discussion of Major Closing Issue**

Two New Information Technology Technician Positions and New Security Software (E-225 & E-720, DMV-38, 39, 42 & 43): The Governor recommends a Highway Fund appropriation of \$122,468 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$982 in FY 2016 and a Highway Fund appropriation of \$141,977 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$70 in FY 2017 for two new Information Technology (IT) Technician positions (E-225). These positions are budgeted at a salary step 5, with the department indicating it is difficult to hire individuals for these positions at a lower salary. The department indicates these positions would support approximately 251 servers and 1,300 desktop and laptop computers in the department. The new positions would also support DMV staff with computer hardware and software issues, provide training for department staff, and install replacement equipment. The Executive Budget indicates this decision unit is a companion to Decision Unit E-720, which recommends a Highway Fund appropriation of \$19,815 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$2,582 in FY 2016 and a Highway Fund appropriation of \$6,228 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$1,070 in FY 2017 for Symantec Critical Server Protection software and annual maintenance support (E-720). The department indicates this software would fortify specific sensitive areas of the department's IT architecture and would be deployed by the 11 existing Network Support staff, who also currently provide desktop support. The department indicates the existing Network Support staff would not be able to meet the demand for desktop support while also deploying the new software. Accordingly, the two new IT Technician positions would provide desktop support, which would provide Network Support staff with the necessary time to deploy the new software.

Fiscal staff asked the agency what duties the Network Support staff would perform once the initial installation of the Symantec Critical Server Protection software is complete. The department indicates Network Support staff would continue to monitor and update the servers and department network against risks and attacks. If the Subcommittee approves these positions, it may wish to direct the agency to remove these two positions from the base budget in the 2017-19 biennium due to the limited duration of the software deployment project. If needed, the agency may seek authority to continue these positions in an enhancement decision unit in The Executive Budget for the 2017-19 biennium.

**Does the Subcommittee wish to approve the Governor's recommendation for two new Information Technology Technician positions and approve the purchase of new security software, and direct the agency to remove these positions from the base budget in the 2017-19 biennium? If approved, Fiscal staff requests authority to enter any necessary technical adjustments.**

### **Other Closing Items**

1. Transfer from Records Search Budget (E-226, DMV-39): The Governor recommends an increase in fund transfers from the DMV Records Search budget of \$244,478 in FY 2016 and \$251,167 in FY 2017 and corresponding reductions in Highway Fund appropriations. Funding for the DMV Records Search budget is provided through a records search charge for the processing of customer requests. Any revenue remaining after the amount budgeted for the Records Search budget is transferred equally to the Automation budget (50 percent) and the Central Services budget (50 percent), with a corresponding offset of Highway Fund appropriations in those budgets. The department projects the fund transfers will be greater than the amount reflected in the base year, with the additional projected fund transfer reflected in this decision unit. **This recommendation appears reasonable.**

2. Electronic Lien Title System Development (E-227, DMV-39): The Governor recommends Electronic Lien Title (ELT) System Reimbursement revenue of \$153,197 in FY 2016 for the continued system programming required for the implementation of an ELT system as required by Assembly Bill (A.B.) 309 that was approved by the 2013 Legislature. Currently, the department processes paper vehicle titles for dealers and finance companies, with vehicle owners acquiring the paper title once the vehicle is paid off. The new ELT system would provide for the storage of electronic titles, which would be printed and issued to the vehicle owner once the vehicle is paid off. Per the requirements of A.B. 309, the selected vendor for this new system would fund all implementation and operational costs associated with this new system. The department anticipates the ELT system would be completed in December 2015. This recommendation is linked to companion Decision Unit E-227 in the Management Services budget, which reflects the ELT system contract manager expenditures (DMV-111). **This recommendation appears reasonable.**
3. Document Manager Software Transfer (E-502 & E-902, DMV-40 & 43): The Governor recommends transferring annual technical support expenditures for document manager software of \$9,454 in FY 2017 from the REAL ID budget to the Automation budget (E-902) and funding the revised expenditure amount associated with this annual support with a Highway Fund appropriation of \$8,858 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$1,521 in FY 2017 (E-502). The department indicates the DMV's disaster recovery system utilizes this software and three years of technical support was purchased utilizing federal REAL ID grant funds in FY 2014. Since this grant expires in FY 2015, the Governor recommends transferring the annual support expenditures associated with the software to multiple DMV budgets based on the number of software licenses held within each DMV budget. **These recommendations appear reasonable.**
4. Replacement Equipment (E-710, DMV-40 & 41): The Governor recommends Highway Fund appropriations of \$6,800 in each year of the 2015-17 biennium to replace 17 secretarial chairs annually. This recommendation would allow the agency to replace approximately 25 percent of its staff's chairs each year. **This recommendation appears reasonable.**
5. Replacement Vehicles (E-711, DMV-41): The Governor recommends Highway Fund appropriations of \$3,159 in FY 2016 and \$7,005 in FY 2017 to replace two agency-owned vehicles with two Fleet Services Division vehicles. If approved, this recommendation would eliminate maintenance, fuel, and insurance expenditures of \$1,573 in FY 2016 and \$2,337 in FY 2017 associated with the agency-owned vehicles. **This recommendation appears reasonable.**
6. Replacement Technology Equipment (E-715, DMV-41): The Governor recommends a Highway Fund appropriation of \$196,080 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$25,552 in FY 2016 and a Highway Fund appropriation of \$212,168 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$38,845 in FY 2017 to replace 31 desktop computers, 9 laptop computers, 3 printers, 31 dual monitors and cards, 31 surge protector strips, 40 Microsoft Office Suite software packages, 31 Hummingbird software packages, 40 software maintenance service call agreements, 19 Windows Enterprise server software packages, 16 Cisco routers, 23 servers, 24 Cisco Ethernet switches, 1 iPod Touch, and 2 uninterruptible power supplies. **This recommendation appears reasonable.**
7. Replacement Network Switches (E-716, DMV-42): The Governor recommends a Highway Fund appropriation of \$384,718 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$50,134 in FY 2016 to replace three network switches. The department indicates these switches, which were purchased in FY 2006, are at the end of their useful life and control all network traffic into and out of the Carson City DMV office. **This recommendation appears reasonable.**

8. Replacement Microwave Equipment (E-719, DMV-42): The Governor recommends a Highway Fund appropriation of \$28,134 and cost allocation reimbursement revenue from the Motor Vehicle Pollution Control budget of \$3,666 in FY 2016 to replace microwave equipment for the Ely field office. This microwave equipment provides the agency with uninterrupted wireless connectivity for agency communication, email, and Internet. On February 23, 2015, Executive Budget Office staff emailed Fiscal staff indicating expenditures related to the replacement of this microwave equipment was not required in this budget as this equipment is owned and maintained by the Department of Administration's Division of Enterprise IT Services (EITS). Accordingly, Fiscal staff has entered a technical adjustment to eliminate this decision unit. **The elimination of this decision unit appears reasonable.**
9. Salary Increase for Unclassified Division Administrator Position (E-806, DMV-43): The Governor recommends Highway Fund appropriations of \$10,969 in FY 2016 and \$10,971 in FY 2017 to provide a salary increase to the unclassified Administrator for the MVIT Division from an annual salary of \$97,901 to \$107,465 annually. According to the department, this recommendation would align the salary for the Administrator of the MVIT Division with the salaries of the Administrators of the Field Services and Compliance Enforcement Divisions. This recommendation will also be more thoroughly discussed by the money committees during the Unclassified Pay Bill hearing.
10. Base Budget Technical Adjustments (BASE, DMV-36 & 37): The department provided updated revenue projections on April 17, 2015, which are reflected in this closing document. The department projects Records Search charge revenue decreasing by \$203,929 in each year of the 2015-17 biennium, when compared to the revenue projection included in The Executive Budget. The department indicates certain data is sold to commercial companies pursuant to NRS 481.063; however, the department indicates demand for this data has decreased in recent fiscal years. Fiscal staff also entered technical adjustments reflecting the annual maintenance cost of \$19,619 per year for the department's Web Essentials Security appliances, which were not included in The Executive Budget. These adjustments, and associated adjustments in the Motor Vehicle Pollution Control budget cost allocation revenue, are reflected in this closing document. **These technical adjustments appear reasonable.**

**Does the Committee wish to approve Other Closing Items as recommended by the Governor, including the technical adjustments noted in Other Items 8 and 10, and provide authority for Fiscal staff to make other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

**Title:** DMV - COMPLIANCE ENFORCEMENT  
**Account:** 201 - 4740

**Budget Page:** DMV-54, Volume III

Revenues	2013-14 Actual	2014-15 WP	%	2015-16 GOV REC	%	2016-17 GOV REC	%
FEDERAL FUND							
HIGHWAY FUND	4,518,112	4,541,352	0.51	4,742,110	4.42	4,845,845	2.19
INTERAGENCY TRANSFER	49,874	50,969	2.20	54,534	6.99	56,315	3.27
OTHER FUND	148,803	169,657	14.01	190,649	12.37	191,776	0.59
REVERSIONS	(509,932)						
<b>Total Revenues</b>	<b>4,206,857</b>	<b>4,761,978</b>	<b>13.20</b>	<b>4,987,293</b>	<b>4.73</b>	<b>5,093,936</b>	<b>2.14</b>
<b>Total FTE</b>		<b>57.00</b>		<b>57.00</b>		<b>57.00</b>	

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2015-16	2016-17
E720	00	2507	Reduce Highway Fund appropriations due to elimination of active shooter program.	(23,572)	(1,530)
<b>Sub-total</b>				<b>(23,572)</b>	<b>(1,530)</b>
<b>Line Item Changes to Revenues</b>				<b>(23,572)</b>	<b>(1,530)</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2015-16	2016-17
E720	04	7000	Budget Amendment A150574740 - Elimination of active shooter program.	(2,382)	(1,530)
E720	04	8000	Budget Amendment A150574740 - Elimination of active shooter program.	(16,968)	
E720	30	6000	Budget Amendment A150574740 - Elimination of active shooter program.	(2,775)	
E720	30	7000	Budget Amendment A150574740 - Elimination of active shooter program.	(1,447)	
<b>Sub-total</b>				<b>(23,572)</b>	<b>(1,530)</b>
<b>Line Item Changes to Expenditures</b>				<b>(23,572)</b>	<b>(1,530)</b>

<b>Total</b>	<b>0</b>	<b>0</b>
<b>Grand Total General Fund Impact of Closing Changes</b>	<b>0</b>	<b>0</b>

**Overview**

The Compliance Enforcement Division (CED) is the regulatory arm of the Department of Motor Vehicles (DMV) and regulates for the Salvage/Wreckers/Body Shops and Emission Control programs. The primary purpose of the Compliance Enforcement Division is to support the activities of division investigators regulating the automobile industry as it relates to the sale or transfer of ownership of vehicles. Primary funding for Compliance Enforcement is provided through Highway Fund appropriations and fingerprint fees for occupational and business licensing.

**Major Closing Issue**

Revised Funding for Off-Highway Vehicle Registration Program

### **Discussion of Major Closing Issue**

Revised Funding for Off-Highway Vehicle Registration Program (BASE, E-235 & E-600, DMV-54-57): The 2009 Legislature approved Senate Bill (S.B.) 394, which created the Nevada Commission on Off-Highway Vehicles (OHV) and required individuals with OHVs to apply with the DMV for titling (\$28.25 per NAC 490.360) and annual registration (\$20.00 per NAC 490.450). Proponents of this legislation maintained the new program would provide:

- Funds to improve OHV trails and rider education
- The opportunity for reciprocal agreements between all western states on the use of OHVs
- Equitable collection of sales tax from Nevadans purchasing OHVs in state or out of state

Clark County provided start-up funds of \$500,000 in FY 2011 for the OHV registration program, which was used by the DMV for in-house and contracted programming support. However, the department was unable to implement the program by July 1, 2011, the timeline established in S.B. 394. As a result, the 2011 Legislature approved S.B. 130 that delayed OHV registration and titling until July 1, 2012.

The DMV retains all revenue associated with the titling of OHVs. During the first year of the OHV registration program (FY 2013), legislation required 15 percent of the annual registration fee revenue be deposited in the Fund for Off-Highway Vehicles and 85 percent of the revenue deposited in the Administration of Off-Highway Vehicle Titling and Registration account. After FY 2013, the percentage distribution of the annual registration fee revenue was reversed with 85 percent distributed to the Fund for Off-Highway Vehicles and 15 percent distributed to the Administration of Off-Highway Vehicle Titling and Registration account. The Fund for Off-Highway Vehicles is utilized by the Nevada Commission on Off-Highway Vehicles for OHV trail development, law enforcement, public education, and commission administration. The Administration of Off-Highway Vehicle Titling and Registration account is used by the DMV for its operating expenses in support of the OHV registration program, which currently includes three full-time DMV Services Technician positions in its Central Services budget.

A new Compliance Investigator position was created in FY 2012 to ensure the OHV provisions contained in *Nevada Revised Statutes 490* were fulfilled throughout Nevada, with specific focus on OHV dealer compliance. However, due to the uncertainty in OHV registration compliance and revenue, the department has kept this position vacant since its establishment. The Executive Budget for the 2015-17 biennium reflects the continuation of the vacant Compliance Investigator in the base budget; however, the Governor recommends modifying the distribution of OHV registration revenue whereby the DMV is funded for all its OHV-related expenses prior to funds being transferred to the Nevada Commission on Off-Highway Vehicles. If the revised OHV revenue distribution recommendation is approved, the Governor recommends total OHV Reimbursement revenue of \$82,084 in FY 2016 and \$79,883 in FY 2017 for the continuation of the OHV Compliance Investigator position (E-235). If the revised OHV revenue distribution recommendation is not approved, the Governor recommends removing all OHV Reimbursement revenue and eliminating the vacant OHV Compliance Investigator position (BASE & E-600).

Senate Bill 492 would implement the Governor's recommended modification for the distribution of OHV registration revenue and would allow the Administration of Off-Highway Vehicle Titling and Registration account to transfer any balance in excess of \$150,000 to the Nevada Commission on Off-Highway Vehicles at least once each quarter. Senate Bill 492 was heard by the Senate Committee on Transportation on March 31, 2015. During the hearing, the chairman of the Nevada Commission on Off-Highway Vehicles testified in support of the bill and indicated it would implement recommendations contained in the December 2014, audit prepared by the Department of Administration's Division of Internal Audits. This audit recommended that legislation be considered that would allow all revenue in excess of OHV registration program expenditures be transferred to the commission. In addition, the audit recommended the DMV coordinate with the commission to provide OHV registration program revenue and expenditure data. During his testimony, the chairman of the Nevada Commission on Off-Highway Vehicles

testified that the DMV had agreed to provide this OHV registration program revenue and expenditure detail to the commission on the first Monday of each month. On April 9, 2015, the Senate Committee on Transportation voted to pass S.B. 492 and re-refer the bill to the Senate Committee on Finance.

Based upon passage and approval of S.B. 492, Fiscal staff projects fund transfers over the 2015-17 biennium to the Nevada Commission on Off-Highway Vehicles would total \$1.9 million as provided in the following table:

Projected Fund Transfers to the Nevada Commission on Off-Highway Vehicles		
	FY 2016	FY 2017
Balance Forward	\$ 506,418	\$ 150,000
Total OHV Revenue *	\$ 1,144,765	\$ 1,159,647
DMV OHV Program Expenditures	\$ 379,463	\$ 384,805
Transfers to the OHV Commission	\$ 1,121,720	\$ 774,842
Reserve	\$ 150,000	\$ 150,000
* Revenue projections provided by the DMV on April 17, 2015.		

**Does the Subcommittee wish to approve the Governor’s recommendation to revise the OHV revenue distribution and continue funding the OHV Compliance Investigator position, contingent upon passage and approval of S.B. 492? Fiscal staff requests authority to enter any necessary technical adjustments based upon the Subcommittee’s decision.**

**Other Closing Items**

1. Document Manager Software Transfer (E-505 & E-905, DMV-56, 57 & 59): The Governor recommends transferring annual technical support expenditures for document manager software of \$2,854 in FY 2017 from the REAL ID budget to the Compliance Enforcement budget (E-905) and funding the revised expenditure amount associated with this annual support with a Highway Fund appropriation of \$2,362 in FY 2017 (E-505). The department indicates the DMV’s disaster recovery system utilizes this software, and three years of technical support was purchased utilizing federal REAL ID grant funds in FY 2014. Since this grant expires in FY 2015, the Governor recommends transferring the annual support expenditures associated with the software to multiple DMV budgets based on the number of software licenses held within each DMV budget. **These recommendations appear reasonable.**
2. Replacement Equipment (E-710, DMV-58): The Governor recommends Highway Fund appropriations of \$10,510 in FY 2016 and \$6,739 in FY 2017 to replace 28 secretarial chairs, 3 shredders, and 4 pistols. **This recommendation appears reasonable.**
3. Replacement Vehicles (E-711, DMV-58): The Governor recommends reductions in Highway Fund appropriations of \$22,868 in FY 2016 and \$17,283 in FY 2017 to replace two agency-owned vehicles with three Fleet Services Division vehicles. If approved, this recommendation would eliminate all maintenance and fuel expenditures associated with the agency-owned vehicles. **This recommendation appears reasonable.**
4. Replacement Technology Equipment (E-715, DMV-58-59): The Governor recommends Highway Fund appropriations of \$56,264 in FY 2016 and \$82,292 in FY 2017 to replace 36 desktop computers, 3 laptop computers, 34 flat-panel monitors, 38 printers, 2 dual monitors and cards, 6 digital cameras, 2 camcorders, 4 digital recorders, 2 smartphones, 2 fax machines, 3 scanners, 36 surge protector strips, 39 Windows Client Access licenses, and 39 Microsoft Office Suite software packages. **This recommendation appears reasonable.**

5. New Active Shooter Program (E-720, DMV-59): The Governor recommended Highway Fund appropriations of \$23,572 in FY 2016 and \$1,530 in FY 2017 for eight rifles with sights and magnifiers, eight storage vaults, and training for the DMV staff to implement a new active shooter program. This recommendation, along with a companion recommendation in the Motor Vehicle Pollution Control budget, would have allowed two CED firearms trainers to attend a train-the-trainer class to become certified as instructors in active shooter incidents (E-720, DMV-67-68). On March 24, 2015, the Executive Budget Office submitted Budget Amendment A150574740, which would eliminate this decision unit, and Budget Amendment A150564722, which would eliminate the decision unit in the Motor Vehicle Pollution Control budget to fund equipment and training for the active shooter program. Combined, these budget amendments would eliminate all active shooter program decision units from the department's budget. **Budget Amendment A150574740, which eliminates expenditures for the proposed active shooter program in this budget, appears reasonable to staff.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor, including Budget Amendment A150574740, and provide authority for Fiscal staff to make other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

**Title:** DMV - MOTOR VEHICLE POLLUTION CONTROL  
**Account:** 101 - 4722

**Budget Page:** DMV-62, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	475,777	2,021,276	324.84	1,365,596	(32.44)	2,082,053	52.46
FEDERAL FUND							
OTHER FUND	9,422,261	9,213,386	(2.22)	9,668,710	4.94	9,794,404	1.30
<b>Total Revenues</b>	<b>9,898,038</b>	<b>11,234,662</b>	<b>13.50</b>	<b>11,034,306</b>	<b>(1.78)</b>	<b>11,876,457</b>	<b>7.63</b>
<b>Total FTE</b>		<b>37.00</b>		<b>37.00</b>		<b>37.00</b>	

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2511	Reduce balance forward due to reduction in prior year reserve.		(21,033)
B000	00	3601	Reduce Pollution Control licenses and fee revenue.	(20,538)	(20,805)
E720	00	2511	Increase balance forward due to change in prior year reserve.		13,932
<b>Sub-total</b>				<b>(20,538)</b>	<b>(27,906)</b>
<b>Line Item Changes to Revenues</b>				<b>(20,538)</b>	<b>(27,906)</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	20	9000	Technical Adjustment - Revises fund transfers to the Nevada State Environmental Commission.	78	78
B000	26	7000	Technical Adjustment - Cost allocation changes due to updates in the Automation budget.	(355)	571
B000	82	7000	Technical Adjustment - Updated cost allocation based on Committee closing actions for the Administrative Services budget.	772	(19,964)
B000	86	9000	Technical Adjustment - Cost allocation changes due to updates in the Automation and Administrative Services budgets.	(417)	18,976
B000	86	9000	Technical Adjustment - Pollution Control licenses and fee revenue.	(20,538)	(41,343)
B000	86	9000	Technical Adjustment - Revises fund transfers to the Nevada State Environmental Commission.	(78)	(156)
E720	04	7000	Budget Amendment A150564722 - Elimination of active shooter program.	(1,212)	(786)
E720	04	8000	Budget Amendment A150564722 - Elimination of active shooter program.	(8,484)	
E720	30	6000	Budget Amendment A150564722 - Elimination of active shooter program.	(2,789)	
E720	30	7000	Budget Amendment A150564722 - Elimination of active shooter program.	(1,447)	
E720	86	9000	Budget Amendment A150564722 - Elimination of active shooter program.	13,932	14,718
<b>Sub-total</b>				<b>(20,538)</b>	<b>(27,906)</b>
<b>Line Item Changes to Expenditures</b>				<b>(20,538)</b>	<b>(27,906)</b>

<b>Total</b>	<b>0</b>	<b>0</b>
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<b>Grand Total General Fund Impact of Closing Changes</b>	<b>0</b>	<b>0</b>
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## Overview

Through its Motor Vehicle Pollution Control budget, the Compliance Enforcement Division is responsible for ensuring compliance with *Nevada Revised Statutes* (NRS) and *Nevada Administrative Code* (NAC) as they relate to vehicle emission standards in counties whose population equals or exceeds 100,000 (Clark and Washoe Counties). Revenue generated from fees charged for every vehicle receiving a smog certificate support the enforcement efforts. Pursuant to NRS 445B.830, fee revenue in excess of budgetary requirements and a balance forward amount of \$1.0 million are distributed annually to the two counties proportionate to the number of certificates issued in each county.

## Major Closing Issue

Replacement Sahara Field Office

### Discussion of Major Closing Issue

Replacement Sahara Field Office (E-250, DMV-65): The Governor recommends a reserve reduction of \$66,020 in FY 2017 for the Motor Vehicle Pollution Control budget's share (12.5 percent) of the cost to move to the new DMV field office on Sahara Avenue in Las Vegas. The Governor's recommended Capital Improvement Program (CIP) includes \$23.5 million in funding for the replacement of the Sahara field office in Las Vegas (15-C04). On April 10, 2015, the Executive Budget Office submitted Budget Amendment A150724722, which recommends expenditures of \$67,685 in FY 2017 for the Motor Vehicle Pollution Control budget's share (12.5 percent) of the cost to move to the new Sahara DMV field office. This budget amendment aligns the projected moving costs in this budget with the projected moving costs in the CIP. This budget amendment also recommends reserve reductions of \$65,327 in FY 2016 and \$130,653 in FY 2017 for the Motor Vehicle Pollution Control budget's share of the debt service payments for the new Sahara DMV field office. The Executive Budget Office, in consultation with the Office of the State Treasurer, recommends the new Sahara DMV field office be funded with 20-year general obligation bonds with debt service payments utilizing the Highway Fund (87.5 percent) and the Motor Vehicle Pollution Control budget (12.5 percent). The recommended distribution is based upon the square footage assigned to the Motor Vehicle Pollution Control program in the new building.

The decision regarding the Governor's recommendation for a new Sahara DMV field office is scheduled to be made by the K-12/Higher Education/CIPs Joint Subcommittee at its May 18, 2015, meeting. Fiscal staff has inquired with LCB Legal whether Motor Vehicle Pollution Control funds may be used for this purpose in NRS, and will report back when this budget is closed before the money committees.

**Does the Subcommittee wish to approve the Governor's recommendation, as amended by Budget Amendment A150724722, of reserve reductions of \$65,327 in FY 2016 and \$198,338 in FY 2017 for moving costs and bond service payments associated with the Motor Vehicle Pollution Control budget's share of the new Sahara field office, contingent upon approval of the new building by the K-12/Higher Education/CIPs Joint Subcommittee?**

## Other Closing Items

1. Document Manager Software Transfer (E-503 & E-903, DMV-65 & 68): The Governor recommends transferring annual technical support expenditures for document manager software of \$856 in FY 2017 from the REAL ID budget to the Motor Pollution Control budget (E-903) and funding the revised expenditure amount associated with this annual support with a reserve reduction of \$709 in FY 2017 (E-503). The department indicates the DMV's disaster recovery system utilizes this software and three years of technical support was purchased utilizing federal REAL ID grant funds in FY 2014. Since this grant expires in FY 2015, the Governor recommends transferring the annual support expenditures associated with the software to multiple DMV budgets based on the number of software licenses held within each DMV budget. **This recommendation appears reasonable.**

2. Replacement Equipment (E-710, DMV-66): The Governor recommends reserve reductions of \$31,799 in FY 2016 and \$68,574 in FY 2017 to replace 20 secretarial chairs, 7 opacity meters to measure the optical properties of vehicle emissions, 1 dynamometer with opacity meter to measure the power produced by an engine, 2 generators, and 3 vehicle code scanning tools to retrieve vehicle information electronically. **This recommendation appears reasonable.**
3. Replacement Vehicles (E-711, DMV-66 & 67): The Governor recommends increasing reserves by \$23,778 in FY 2016 and \$19,984 in FY 2017 to replace three agency-owned vehicles with Fleet Services Division vehicles. The increase to reserves is due to eliminating maintenance, fuel, and insurance expenditures of \$32,981 in FY 2016 and \$38,209 in FY 2017 associated with the agency-owned vehicles. **This recommendation appears reasonable.**
4. Replacement Technology Equipment (E-715, DMV-67): The Governor recommends reserve reductions of \$33,788 in FY 2016 and \$40,769 in FY 2017 to replace 16 desktop computers, 5 laptop computers, 12 iPads, 15 flat-panel monitors, 17 printers, 1 dual monitor and card, 1 projector, 1 digital camera, 16 surge protector strips, 21 Windows Client Access licenses, and 21 Microsoft Office Suite software packages. **This recommendation appears reasonable.**
5. New Active Shooter Program (E-720, DMV-67 & 68): The Governor recommends reserve reductions of \$13,932 in FY 2016 and \$786 in FY 2017 for four rifles with sights and magnifiers, four storage vaults, and training for one staff member in order for the DMV to implement a new active shooter program. This recommendation, along with a companion recommendation in the Compliance Enforcement budget that also provides eight rifles, would provide training to DMV staff on how to handle individuals actively engaged in killing or attempting to kill people in a confined area (E-720, DMV-59). On March 24, 2015, the Executive Budget Office submitted Budget Amendment A150564722, which would eliminate this decision unit, and Budget Amendment A150574740, which would eliminate the decision unit in the Compliance Enforcement budget to fund equipment and training for the active shooter program. Combined, these budget amendments would eliminate all active shooter program decision units from the department's budget. **Budget Amendment A150564722, which eliminates expenditures for the proposed active shooter program in this budget, appears reasonable to staff.**
6. Dispatch Services Cost Allocation (M-800 & E-800, DMV-64 & 68): The Governor recommends reserve reductions totaling \$200 in FY 2016 and \$51 in FY 2017 for dispatch services provided by the Department of Public Safety. **This recommendation appears reasonable.**
7. Base Budget Technical Adjustments (BASE, DMV-62 & 63): The department provided updated revenue projections on April 17, 2015, which decreased Pollution Control Fee revenue by \$20,538 in FY 2016 and \$20,805 in FY 2017. Fiscal staff also entered technical adjustments reflecting updates in the cost allocations for the Automation and Administrative Services budgets and fund transfers to the Nevada State Environmental Commission. These technical adjustments are reflected in this closing document. **The base budget, as adjusted, appears reasonable.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor, including Budget Amendment A150564722 and the technical adjustments noted in Other Item 7, and provide authority for Fiscal staff to make other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W03 - WORKING VERSION 3

**Title:** DMV - LICENSE PLATE FACTORY  
**Account:** 201 - 4712

**Budget Page:** DMV-78, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(711,578)	711,579	(200.00)	1,180,661	65.92	1,000,000	(15.30)
HIGHWAY FUND	500,000						
OTHER FUND	2,653,457	3,426,336	29.13	4,166,765	21.61	7,452,242	78.85
<b>Total Revenues</b>	<b>2,441,879</b>	<b>4,137,915</b>	<b>69.46</b>	<b>5,347,426</b>	<b>29.23</b>	<b>8,452,242</b>	<b>58.06</b>
<b>Total FTE</b>		<b>4.00</b>		<b>8.00</b>		<b>8.00</b>	

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2511	Increase balance forward for change in reserve.		110,481
B000	00	3701	Increase to the special license plate cost allocation for changes in expenses.	122,717	122,717
B000	00	3727	License Plate Fee revenue update.	6,900	(31,318)
M101	00	2511	Reduce balance forward for change in reserve.		(34,933)
M101	00	3701	Increase the special license plate cost allocation for changes in expenses.	35,894	31,408
E226	00	3701	Reduce the special license plate cost allocation for changes in expenses.		(269,422)
E228	00	2511	Reduce the balance forward for change in reserve.		(75,548)
E228	00	3701	Reduce the special license plate cost allocation for changes in expenses.	(114,738)	(114,738)
<b>Sub-total</b>				<b>50,773</b>	<b>(261,353)</b>
<b>Line Item Changes to Revenues</b>				<b>50,773</b>	<b>(261,353)</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	04	7000	Technical Adjustment - Alarm system cost update.	2,400	2,400
B000	04	7000	Technical Adjustment - Factory lighting maintenance, testing, and calibration cost update.	1,607	1,607
B000	04	7000	Technical Adjustment - Factory phone lines and fiber line cost updates.	7,150	7,150
B000	43	7000	Technical Adjustment - Alarm system cost update.	423	423
B000	43	7000	Technical Adjustment - Dies for special license production.	6,000	6,000
B000	43	7000	Technical Adjustment - Factory lighting maintenance, testing, and calibration cost update.	284	284
B000	43	7000	Technical Adjustment - Factory phone lines and fiber line cost update.	1,272	1,272
B000	86	9000	Increase reserve for changes to revenue and expenses.	110,481	182,744
M101	04	7000	Technical Adjustment - Updated commodities projection for aluminum sheeting.	34,933	7,329
M101	43	7000	Technical Adjustment - Updated commodities projection for aluminum sheeting.	35,894	31,408
M101	86	9000	Technical Adjustment - Updated commodities projection for aluminum sheeting.	(34,933)	(42,262)
E226	04	7000	Technical Adjustment - Revised cost of license plate packaging.		(81,634)
E226	43	7000	Technical Adjustment - Revised cost of license plate packaging.		(14,456)

E226	86	9000	Reduce reserve for changes to revenue and expenses.		(173,332)
E228	84	9000	Technical Adjustment - Revised transfer to the Highway Fund due to technical adjustments.	(39,190)	(223,136)
E228	86	9000	Adjust reserve for changes to revenue and expenses.	(75,548)	32,850
<b>Sub-total</b>				50,773	(261,353)
<b>Line Item Changes to Expenditures</b>				50,773	(261,353)
<b>Total</b>				0	0
<b>Grand Total General Fund Impact of Closing Changes</b>				0	0

### **Overview**

The 2013 Legislature approved the creation of the License Plate Factory budget to support the license plate factory, which is operated by the Central Services and Records Division of the Department of Motor Vehicles (DMV). Also known as the "Tag Plant," the license plate factory is charged with designing, manufacturing and distributing Nevada's license plates to DMV Offices, State Assessors Offices, and customers of the department. To allow the manufacturing of license plates to be a self-supporting activity, the 2013 Legislature approved a new license plate fee of \$3 per license plate. *Nevada Revised Statutes* (NRS) 482.268 provides the department with authority to establish this fee through regulation, subject to approval by the Legislative Commission.

### **Major Closing Issues**

1. License Plate Fee Increase and Modifying Budget Structure
2. Eight-Year Reissuance of License Plates
3. New Maintenance Repair Aid Position

### **Discussion of Major Closing Issues**

1. License Plate Fee Increase and Modifying Budget Structure (BASE & E-228, DMV-78 & 82): The 2013 Legislature approved a Highway Fund appropriation of \$500,000 to provide the new License Plate Factory budget with the necessary start-up capital to begin operations, which was reimbursed in FY 2014. The 2013 Legislature also approved a Highway Fund appropriation of \$3.8 million to construct a new license plate factory, to be paid back over the course of five years from the License Plate Factory budget. The first payback amount of \$764,922 was approved to take place in FY 2015.

#### **Fee Increase**

To allow the manufacturing of license plates to be a self-supporting activity that did not rely on Highway Fund appropriations, the 2013 Legislature approved a new license plate fee to be established by regulation. Fiscal staff would note The Executive Budget recommends an increase to the license plate fee, through regulation, from \$3 per plate to \$4 per plate, effective October 1, 2015 (BASE). The Executive Budget indicates this fee increase is projected to generate \$687,631 in FY 2016 and \$928,760 in FY 2017. It appears a fee greater than \$3 is needed to support operating expenditures for the new license plate factory, as well as the cost of the leased license plate production equipment. Fiscal staff would note that during the 2013 Session, the department indicated it would purchase this equipment and the legislatively approved budget included expenditures of \$544,776 in FY 2014 and \$517,310 in FY 2015 for new equipment and upgrades to existing equipment, which the department indicated would be funded over a five-year period. The department subsequently determined it would lease this equipment over a ten-year period, with annual lease payments of \$497,273. The department indicates that leasing this equipment requires the vendor to be responsible for upgrading the technology used with the equipment. In addition, the vendor is responsible for equipment failures that may cause disruptions to license plate production, which the department indicates is vital since redundant equipment is not available. Fiscal staff would note that, along with the annual lease cost, the equipment vendor also charges a fee based on the number of license plates manufactured and

packaged by the equipment. The department projects these fees would be \$471,029 in FY 2016 and \$476,734 in FY 2017 based on the projected number of license plates that would be produced with funding in the base budget.

Fiscal staff would note the 2013 Legislature approved expenditures of \$2.7 million in FY 2014 and \$2.9 million in FY 2015 for the license plate factory. The \$3 fee per license plate was derived from the projected revenue the agency would generate to meet these expenditures. In comparison, expenditures associated with the license plate factory are now projected to be \$3.8 million in each year of the 2015-17 biennium, excluding expenditures associated with the eight-year rolling reissuance period for license plates that is discussed later in this closing document. Based on these projected costs for the operation of the license plate factory and the production of license plates, the current \$3 fee per license plate would not cover the fixed and variable costs to operate the license plate factory. The department calculates the cost to produce a standard license plate would be \$3.32 in FY 2016 and \$3.24 in FY 2017. Based on this projection, Fiscal staff asked the agency why the \$4 fee per license plate was recommended. The department indicated that the \$4 fee would provide the department with additional resources to assist with fluctuations in the cost of commodities (particularly aluminum) and sales of license plates. In addition, the department has not yet started production at its new license plate factory and the actual cost to operate this facility has been projected, but is not yet certain.

#### Termination of Highway Fund Repayment/Change in Reserve Level

In addition to the increase in the license plate fee, the Governor recommends other changes to the funding and repayment to the Highway Fund in this budget for the 2015-17 biennium, which include the following (E-228):

- Terminating the legislatively approved annual Highway Fund reimbursement payments for the construction of the new license plate factory of \$764,922 in FY 2016 through FY 2019, totaling \$3.1 million. Fiscal staff does not support this recommendation.
- Modifying the License Plate Factory budget from a self-funded enterprise fund that retains all unexpended funds from one fiscal year to the next, to a self-funded enterprise fund that retains a maximum reserve balance of \$1.0 million each fiscal year. Unexpended funds greater than \$1.0 million would revert to the Highway Fund at the end of a fiscal year. The department recommends this budget maintain a minimum \$1.0 million reserve due to the expense of bulk ordering of commodities by the factory. Fiscal staff would note that a bill has not been introduced to enact this recommendation.

As previously mentioned, the department calculates the cost to produce a license plate would be \$3.32 in FY 2016 and \$3.24 in FY 2017. Since the required amount is less than the \$4 fee proposed by the Governor, Fiscal staff has provided the following table identifying the projected reserve balance over the 2015-17 biennium for this budget based upon a license plate fee of \$3 per plate, \$3.50 per plate, or \$4 per plate. Fiscal staff would note this table reflects approval of the Governor's recommended enhancement decision units for this budget, with the exception of the termination of the Highway Fund reimbursement payments (E-228) and the eight-year rolling reissuance period for license plates, which is discussed later in this document.

<b>License Plate Fee Changes: Effect on Budget Reserves</b>		
<i>\$3.00 License Plate Fee</i>	FY 2016	FY 2017
Beginning Reserve	\$1,180,661	\$871,362
Reserve Change	-\$309,299	-\$236,166
Ending Reserve	\$871,362	\$635,196
<i>\$3.50 License Plate Fee</i>	FY 2016	FY 2017
Beginning Reserve	\$1,180,661	\$1,230,222
Reserve Change	\$49,561	\$248,534
Ending Reserve	\$1,230,222	\$1,478,756
<i>\$4.00 License Plate Fee</i>	FY 2016	FY 2017
Beginning Reserve	\$1,180,661	\$1,589,082
Reserve Change	\$408,421	\$733,235
Ending Reserve	\$1,589,082	\$2,322,317
Note: All changes in license plate fees are projected to be effective on October 1, 2015.		

Based on the Governor's recommendation for a license plate fee of \$4, it appears the budget would have a reserve balance of \$2.3 million at the end of the 2015-17 biennium, an increase of \$1.1 million. As the following table indicates, if the Governor's recommendation that this budget revert balances greater than \$1.0 million to the Highway Fund and terminate the legislatively approved annual Highway Fund reimbursement payments of \$764,922 for the construction of the new license plate factory, it appears the \$4 fee would allow for a \$3.1 million transfer to the Highway Fund over the 2015-17 biennium, which is \$6,479 more than the amount the DMV would owe in total to the Highway Fund for the construction of the license plate factory after it makes the FY 2015 payment. Based on this, it appears the increase to the license plate fee to \$4 is recommended to increase transfers to the Highway Fund and to partially address increased expenses of operating the license plate factory.

<b>Projected Transfers to the Highway Fund Resulting from a \$4 License Plate Fee</b>		
	FY 2016	FY 2017
Balance Forward	\$ 1,180,661	\$ 1,000,000
License Plate Fee Revenue	\$ 3,588,602	\$ 3,877,605
Scrap Sales and Substitute Plate Revenue	\$ 221,741	\$ 221,741
Total	\$ 4,991,004	\$ 5,099,346
Expenditures	\$ 2,529,997	\$ 2,494,186
Transfer to the Highway Fund	\$ 1,461,007	\$ 1,605,160
Ending Reserve	\$ 1,000,000	\$ 1,000,000
Note: Expenditures reflect projected costs associated with producing only standard license plates and termination of annual \$764,922 Highway Fund repayments for the construction of the new license plate factory.		

If the DMV were to increase the license plate fee to \$3.50 and continue the annual Highway Fund repayments of \$764,922, it appears the department would maintain sufficient reserves to operate the license plate factory.

**Options for Consideration:**

The Subcommittee may wish to consider the following options for repaying the Highway Fund for the cost of the new license plate factory:

1. Approve the Governor's recommendation to terminate the License Plate Factory budget's repayment to the Highway Fund for the construction of the license plate factory and modify this budget from a self-funded enterprise fund that retains all unexpended funds from one

fiscal year to the next, to a self-funded enterprise fund that reverts reserve balances greater than \$1.0 million to the Highway Fund. If this recommendation is approved, legislation would be required to suspend the Highway Fund repayments and establish the minimum reserve level in this budget.

2. Do not approve the Governor's recommendation to terminate the License Plate Factory budget's repayment to the Highway Fund for the construction of the license plate factory and to modify this budget from a self-funded enterprise fund that retains all unexpended funds from one fiscal year to the next, to a self-funded enterprise fund that reverts reserve balances greater than \$1.0 million to the Highway Fund.

If the Subcommittee recommends approval of Option 1, Fiscal staff requests authority to make technical adjustments to the Special Plates cost allocation revenue to reflect its share of the Highway Fund repayment for the license plate factory.

In addition, the Subcommittee may wish to consider the following options associated with the License Plate fee:

1. Approve License Plate fee revenue of \$2.9 million in each year of the 2015-17 biennium, which reflects no change in the current \$3.00 license plate fee. If this option were approved, the department could not sustain the impact on its reserve beyond the 2017-19 biennium and may have cash flow issues in the 2015-17 biennium due to reduced reserve levels.
  2. Approve License Plate fee revenue of \$3.2 million in FY 2016 and \$3.4 million in FY 2017, which reflects a \$0.50 increase in the license plate fee from \$3.00 to \$3.50 per plate, effective October 1, 2015. If this option were approved, the agency could continue the annual repayments to the Highway Fund.
  3. Approve License Plate fee revenue of \$3.6 million in FY 2016 and \$3.9 million in FY 2017, which reflects a \$1.00 increase in the license plate fee from \$3.00 to \$4.00 per plate, effective October 1, 2015. If this option were approved, the budget's reserve level would increase from \$1.2 million in FY 2015 to \$2.3 million in FY 2017.
2. Eight-Year Reissuance of License Plates (E-226, DMV-81): The Governor recommends implementing a new eight-year, rolling reissuance of license plates, which is projected to generate \$2.4 million in additional License Plate Fee revenue and \$642,749 in Special Plates Cost Allocation revenue in FY 2017. This assumes the Governor's recommendation to increase license plate fees from \$3 to \$4 per plate is approved effective October 1, 2015. The Executive Budget projects an additional \$683,460 would be retained in the agency's reserve by the end of FY 2017. The Executive Budget indicates the rolling reissuance of license plates would address a public safety issue as some license plates become difficult for law enforcement to read as they age. The department projects this change would require the production and distribution of approximately 700,000 additional license plates per year. To implement this change, the Governor recommends a second production shift to produce these license plates, which would require three new positions, including:
- Program Officer – Supervise state staff, monitor and control license plate production, maintain raw material inventory, and implement the production of new license plate styles.
  - Driver Warehouse Worker – Organize, direct, and provide general supervision of the inmate workforce.
  - Maintenance Repair Aid – Maintain and operate the license plate production equipment and assist with the supervision and training of the inmate workforce.

In addition, the second shift would require 20 additional minimum-security inmates from the Stewart Conservation Camp. The Department indicates the new staff recommended to operate this second shift was determined in consultation with the vendor and subject matter experts.

The department indicates the following states have a reissuance schedule for license plates similar to the Governor's recommendation:

<b>License Plate Reissuance Schedule for Other States</b>	
Montana	5 years
Minnesota	7 years
Idaho	7 years
Texas	7 years
Arkansas	8 years
Florida	10 years

The department indicates the reflectivity life expectancy of a license plate is approximately five to ten years, and the recommendation for an eight-year reissuance period reflects the midpoint for this anticipated useful life. The department indicates the loss of reflectivity can impair the legibility of the digits on the license plate as well as the background design, making it difficult to determine the state that issued the license plate. According to the department, this may hinder law enforcement's ability to determine a license plate's digits or the state that issued the license plate. The department indicates that vintage, circa and standard blue and state anniversary license plates would be exempt from the reissuance requirement; however, other specialty plates would be reissued.

Assembly Bill 484 provides for the rolling reissuance of license plates and was heard by the Assembly Committee on Ways and Means on April 22, 2015. During the hearing, the department was asked about the impact the reissuance of license plates would have on the wait times at the DMV field offices. The department responded that this change would not have an effect on wait times since the new license plate transaction would be conducted at the same time customers renew their vehicle registration. After paying for the vehicle registration and replacement license plates, the new license plates would be mailed to the customer. During the hearing, the department also indicated the reflectivity requirements of license plates is established in NRS. The department indicates that NRS 482.270 requires license plates to be readable from a distance of 100 feet during daylight and from a distance not less than 110 feet at night when viewed by standard headlights.

Fiscal staff made a technical adjustment to reflect the department's updated projection for the license plate packaging costs associated with this decision unit. Fiscal staff, in consultation with the department, also made a technical adjustment to the Special Plates Cost Allocation revenue for this decision unit to only reflect the costs attributed with the production of specialty plates. These technical adjustments are reflected in the closing document and reduce the amount that would be retained in the budget's reserve by the end of FY 2017 to \$510,128, based on the \$4 license plate fee. Fiscal staff would note a \$3.50 license plate fee would cause \$212,628 to be retained in this budget's reserve by the end of FY 2017.

**Does the Subcommittee wish to approve the Governor's recommendation to implement a new eight-year, rolling reissuance of license plates, contingent upon passage and approval of A.B. 484, and provide Fiscal staff with authority to enter technical adjustments, including the noted technical adjustment for updated packaging costs and Special Plates Cost Allocation revenue?**



3. New Maintenance Repair Aid Position (E-225, DMV-80): The Governor recommends a combination of reserve reductions and Special Plates Cost Allocation revenue totaling \$36,647 in FY 2016 and \$48,860 in FY 2017 for a new Maintenance Repair Aid position to maintain the license plate equipment that the department will utilize once it begins operations at the new license plate factory. The department indicates the new license plate factory equipment will require staff with additional skillsets. According to the DMV, the recommendation for this new position was determined based on discussions with the leased equipment vendor and subject matter experts. This position would maintain mechanical equipment used in the production of license plates, trouble shoot production problems, ensure all safety protocols are followed, and oversee the production line and inmate crews actively engaged in the manufacturing process. The department also indicates each of the recommended shifts for the new license plate factory would utilize 20 minimum-security inmates from the Stewart Conservation Camp. The department anticipates a high turnover among these inmates since most of these individuals have two years or less remaining on their sentences. This position would assist with the training of new inmates working in the factory.

During the department's budget hearing on March 10, 2015, the Subcommittee asked if the duties proposed for this position could be performed by inmate staff. The department indicated that this position requires specialized technical skills that are typically not held by inmate staff. In addition, the department indicates that there is limited time for inmates to develop these skills due to the relatively short time inmates work in the factory before being released. The department also indicated that this position would assist with the supervision of inmate staff when the other factory staff members are out of the office.

**Does the Subcommittee wish to approve the Governor's recommendation for a new Maintenance Repair Aid position for the license plate factory?**

#### **Other Closing Items**

1. Agency Specific Inflation (M-101, DMV-79): The Governor recommends a decrease in Special Plates Cost Allocation revenue of \$173,195 in FY 2016 and \$164,994 in FY 2017 and reserve reductions of \$3,871 in FY 2016 and \$46,842 in FY 2017 based on the department's projected cost of aluminum and sheeting utilized in the manufacturing of license plates costs and the projected number of standard and specialty license plates to be produced in the 2015-17 biennium. Based on updated information provided by the department, Fiscal staff made a technical adjustment in this decision unit to reflect updated commodity costs associated with the aluminum sheeting utilized by the factory. **This recommendation, with the noted technical adjustments, appears reasonable.**
2. Protective Equipment (E-227, DMV-81 & 82): The Governor recommends a combination of Special Plates Cost Allocation revenue and reserve reductions totaling \$1,155 in each year of the 2015-17 biennium to provide inmates who work at the license plate factory with over-the-shoe steel toe guards. **This recommendation appears reasonable.**
3. Replacement Computer Equipment (E-715, DMV-83): The Governor recommends a combination of Special Plates Cost Allocation revenue and reserve reductions totaling \$5,892 in FY 2016 and \$3,620 in FY 2017 for three desktop computers, two flat panel monitors, one dual monitor and associated card, three Microsoft Office Suite programs, three surge protector strips, three Windows Client Access licenses, and two laser jet printers. **This recommendation appears reasonable.**
4. Replacement Equipment (E-716, DMV-83): The Governor recommends a combination of Special Plates Cost Allocation revenue and reserve reductions totaling \$76,076 in FY 2016 to replace one electric forklift and two pallet jacks. The department indicates the existing equipment no longer meets federal Occupational Safety and Health Administration (OSHA) standards. **This recommendation appears reasonable.**

5. New Equipment (E-720, DMV-83 & 84): The Governor recommends a combination of Special Plates Cost Allocation revenue and reserve reductions totaling \$7,785 in FY 2016 to purchase 15 anti-fatigue floor mats and 15 steel utility carts. **This recommendation appears reasonable.**
  
6. Reclassify a Prison Industries Supervisor II to a DMV Services Manager II (E-805, DMV-84): The Governor recommends a combination of Special Plates Cost Allocation revenue and reserve reductions totaling \$5,374 in FY 2016 and \$5,648 in FY 2017 to reclassify a Prison Industries Supervisor to a DMV Services Manager. The department indicates this reclassification is needed since this position will utilize new technical equipment that requires specialized skills at the new license plate factory and is recommended to supervise additional employees possessing a broad range of skills with the implementation of the new production equipment. In addition, the department indicates this position has changed over time to reflect a leadership role similar to other DMV Services Manager positions in the department. The department indicates the duties of this position include supervision of staff, fiscal oversight, production administration, vendor management, and manufacturing forecasting. **This recommendation appears reasonable.**
  
7. Base Budget Technical Adjustments (BASE, DMV-78): Fiscal staff recommends approval of technical adjustments that are reflected in this closing document, which include updated License Plate Fee revenue of \$3.4 million in FY 2016 and \$3.7 million in FY 2017 based on the department's revenue projections provided on April 17, 2015. In addition, Fiscal staff recommends approval of technical adjustments for the Special Plates cost allocation of \$122,717 in each year of the biennium based on the department's revenue projections provided on April 17, 2015, and an adjustment to include the repayment of the Highway Fund for the construction of the license plate factory in the cost allocation. Finally, Fiscal staff recommends approval of technical adjustments for expenditures of \$19,136 in each year of the 2015-17 biennium that were requested by the department based on projected expenditures for the operation of the new license plate factory, which includes the factory's alarm system, lighting system maintenance, phone lines, fiber lines, and dies for special license plate production. **These technical adjustments appear reasonable.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor, including the technical adjustment noted in Other Closing Items 1 and 7, and provide authority for Fiscal staff to make other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

**Title:** DMV - FIELD SERVICES  
**Account:** 201 - 4735

**Budget Page:** DMV-96, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
FEDERAL FUND	90,920	478,078	425.82				
GENERAL FUND	6,801	6,819	0.26	11,072	62.37	11,214	1.28
HIGHWAY FUND	18,038,892	42,464,446	135.40	46,630,671	9.81	49,317,095	5.76
OTHER FUND	25,871,189	72,944	(99.72)	42,424	(41.84)	31,551	(25.63)
REVERSIONS	(4,810,883)						
<b>Total Revenues</b>	<b>39,196,919</b>	<b>43,022,287</b>	<b>9.76</b>	<b>46,684,167</b>	<b>8.51</b>	<b>49,359,860</b>	<b>5.73</b>
<b>Total FTE</b>		<b>686.53</b>		<b>736.53</b>		<b>761.53</b>	

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	00	2507	Reduce Highway Fund appropriations based on revenue updates and changes in expenses.	(1,365,346)	(1,369,473)
B000	00	3324	Increase GST Commissions revenue.	1,461,139	1,546,732
B000	00	3587	Increase federal grant revenue due to continuation of federal Commercial Driver's License Program Implementation Grant.	201,682	30,000
B000	00	4156	Reduce GST Penalties revenue.	(82,052)	(131,903)
M100	00	2507	Reduce Highway Fund appropriations due to position reclassifications approved by the IFC on April 9, 2015.		(1)
M300	00	2507	Reduce Highway Fund appropriations due to position reclassifications approved by the IFC on April 9, 2015.	(335)	(4)
E226	00	2507	Increase Highway Fund appropriations based on GST Penalties and Commissions revenue.	1,379,087	1,414,829
E226	00	3324	Increase GST Commissions revenue redirection to the General Fund.	(1,461,139)	(1,546,732)
E226	00	4156	Decrease GST Penalties revenue redirection to the General Fund.	82,052	131,903
<b>Sub-total</b>				<b>215,088</b>	<b>75,351</b>
<b>Line Item Changes to Revenues</b>				<b>215,088</b>	<b>75,351</b>

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	01	5000	Technical Adjustment - Position reclassifications approved by the IFC on April 9, 2015.	(1,930)	(2,781)
B000	04	7000	Technical Adjustment - Continuation of lawful status verification fee by the American Association of Motor Vehicle Administrators.	11,055	42,277
B000	04	7000	Technical Adjustment - Position reclassifications approved by the IFC on April 9, 2015.	(2)	(2)
B000	04	7000	Technical Adjustment - Propen VIN marking equipment warranty.	3,250	3,250
B000	04	7000	Technical Adjustment - Revised lease agreement for the Mesquite office, which includes janitorial services.	(7,716)	(7,716)
B000	04	7000	Technical Adjustment - Revised lease agreement for the Mesquite office, which includes pest control services.	(324)	(324)
B000	04	7000	Technical Adjustment - Revised lease agreement for the Mesquite office.	12,627	13,871
B000	26	7000	Technical Adjustment - Position reclassifications approved by the IFC on April 9, 2015.	(3)	(3)

B000	41	7000	Technical Adjustment - Continuation of federal Commercial Driver's License Program Implementation Grant.	201,682	30,000
B000	59	7000	Technical Adjustment - Revised lease agreement for the Mesquite office, which includes electrical utilities.	(3,216)	(3,216)
M100	04	7000	Technical Adjustment - Position reclassifications approved by the IFC on April 9, 2015.	1	1
M100	26	7000	Technical Adjustment - Position reclassifications approved by the IFC on April 9, 2015.	(1)	(2)
M300	01	5000	Technical Adjustment - Position reclassifications approved by the IFC on April 9, 2015.	(335)	(4)
<b>Sub-total</b>				215,088	75,351
<b>Line Item Changes to Expenditures</b>				215,088	75,351
<b>Total</b>				0	0
<b>Grand Total General Fund Impact of Closing Changes</b>				0	0

### **Overview**

The Field Services Division is responsible for the direct customer service operations of the driver's licensing and vehicle registration functions. The division serves customers at facilities in Carson City; in Reno at Galletti and Sparks Commercial Driver's Licensing (CDL); the Las Vegas area at Decatur, Donovan, Henderson, Sahara and West Flamingo; and Elko, Ely, Fallon, Hawthorne, Laughlin, Mesquite, Pahump, Tonopah, Winnemucca, and Yerington. Limited services are also provided by a number of county assessors, recorders and clerks and at emission stations throughout the state. A small amount of General Fund appropriations are included for the Motor Voter program.

### **Major Closing Issues**

1. Redirection of Governmental (GST) Commissions and GST Penalties
2. New Field Services Positions
3. Customer Queuing System Enhancements
4. Sahara Field Office Moving Costs

### **Discussion of Major Closing Issues**

1. Redirection of Governmental Services Tax (GST) Commissions and GST Penalties (E-226, DMV-98):  
The Governor recommends the redirection of GST Commissions and GST Penalties revenue of \$27.2 million in FY 2016 and \$28.7 million in FY 2017 in the Field Services budget to the General Fund, offset by an increase in Highway Fund appropriations. Historically, funding for the Field Services Division was provided through a combination of Highway Fund appropriations and GST Commissions and GST Penalties. The 2011 Legislature redirected GST Commissions and GST Penalties in this budget to the General Fund for both years of the 2011-13 biennium and replaced the revenue with Highway Fund appropriations to make the budget whole. The department's administrative cap was also increased from 22 percent to 33 percent in the 2011-13 biennium only. The 2013 Legislature approved redirecting the GST Commissions and GST Penalties and replacing those funds with Highway Fund appropriations in FY 2015 only. The department's administration cap was also increased from 22 percent to 32 percent in FY 2015 only. This provision sunsets on June 30, 2015.

The Governor recommends continuing the redirection of GST Commissions and GST Penalties revenue to the General Fund, in both the Field Services and the Motor Carrier budgets, in both years of the 2015-17 biennium with the transfer recommended to sunset on June 30, 2017. Based on the DMV's April 2015, revenue projections, GST Commissions revenue are projected to total \$49.8 million and the GST Penalties revenue are projected to total \$11.0 million over the 2015-17 biennium. Similar to previous biennia, the Governor recommends increasing the DMV administration cap from 22 percent to 31 percent in each year of the 2015-17 biennium and replacing the GST Commissions and GST

Penalties revenue with Highway Fund appropriations in the Field Services budget and the Motor Carrier budget (E-226, DMV-105). Fiscal staff entered technical adjustments reflecting the department's April 2015, updated revenue projections for GST Commissions and GST Penalties, which are reflected in this closing document. Fiscal staff would note that a bill has not been introduced to enact this recommendation.

**At this time, Fiscal staff recommends the Subcommittee delay making a decision on whether to redirect GST Commissions and GST Penalties to the General Fund and replace those funds with Highway Fund appropriations until the money committees have reviewed the policy issue and fiscal impact. Fiscal staff requests authority to adjust this decision unit based on the final decision by the money committees and the updated revenue projections provided by the department.**

2. New Field Services Positions (E-225, DMV-98): The Governor recommends Highway Fund appropriations of \$4.7 million over the 2015-17 biennium for 68 new DMV Services Technician and 7 new DMV Services Supervisor positions who would provide direct customer service including driver's licensing and vehicle registration functions. The Executive Budget recommends 50 of these positions beginning in FY 2016 and 25 positions beginning in FY 2017. The DMV indicates these positions would be assigned to the five major metropolitan field offices, which includes the Decatur, Flamingo, Henderson, and Sahara offices located in Southern Nevada and Reno-Galletti office in Northern Nevada. The department indicates that no additional equipment is needed for these positions since the existing windows have all the necessary equipment.

The department indicates 427 DMV Services Technician positions are currently assigned to these five major metropolitan field offices and projects 68 additional DMV Services Technician positions are needed to provide 100 percent coverage at these five offices. The DMV made several assumptions to determine its additional staffing needs. First, the DMV estimates each position, on average, is able to staff a service window or staff a customer support function 1,547 hours each year, which takes into account employees' breaks, leave time, and training, as well as 'new hires,' who would be able to provide fewer customer service hours due to initial training. Next, the DMV took into consideration the maximum number of service windows available at each of the five DMV field office locations and projected the positions necessary to staff these windows 3,000 hours per year. The department indicates these five offices are serving customers, on average, ten hours each day and are open approximately 300 days each year.

The department also projected the number of customer support positions needed at each of the five DMV locations. The department indicates these customer support positions perform various functions including operating cameras, staffing the information counter, administering written tests, assisting customers with kiosk transactions, scheduling driving tests, and verifying the accuracy of the counter positions' work. The department determined the number of customer support positions that would be needed in each of the five major metropolitan field offices by calculating the average number of positions performing these tasks in each office in FY 2014. Based on the department's calculation, 54 additional positions would be needed to fully staff the windows and customer support positions at these five field office locations.

The department also assumes additional positions would also be needed to cover vacant positions. The department estimates it will experience a vacancy rate of 3 percent in the 2015-17 biennium based on its actual vacancy rate in FY 2014 and FY 2015 (year-to-date). Based on the department's projection that approximately 481 positions would be needed to fully staff the windows and customer support positions, an additional 14 additional positions would be needed to provide additional coverage

for vacant positions, based on the projected 3 percent vacancy rate (3 percent x 481 FTE = 14 FTE). **This is not a standard staffing practice for state agencies.**

Based on these assumptions, the department projected it would need the following new DMV Services Technician positions at its five major metropolitan field offices:

DMV Calculation of New DMV Services Technician Positions Needed						
DMV Field Office	Current Positions	Positions Needed for 100% Window Coverage	Needed for Customer Support Functions	Positions Needed due to 3% Vacancy Factor	Total Positions Needed	Difference (Additional Positions Needed)
Las Vegas - Decatur	79	70	26	3	99	20
Las Vegas - Flamingo	95	72	36	3	111	16
Las Vegas - Sahara	95	70	31	3	104	9
Henderson	81	60	22	2	84	3
Reno - Galletti	77	70	24	3	97	20
<b>Total</b>	<b>427</b>	<b>342</b>	<b>139</b>	<b>14</b>	<b>495</b>	<b>68</b>

The department indicates it maintains a supervisory ratio of 1 DMV Services Supervisor position to 10 DMV Services Technician positions, which was the basis for the recommendation for 7 new DMV Services Supervisor positions for the 68 new DMV Services Technician positions.

According to the DMV, this recommendation would restore positions that were eliminated by the 2009 Legislature in response to budget reductions. In response to the agency's projected decline in Highway Fund revenue and corresponding decline in the 22 percent administration cap, the 2009 Legislature approved the elimination of 93 positions in the Field Services budget. This included two DMV Supervisors and five DMV Services Technicians associated with the Fernley and North Las Vegas field offices, which were approved by the 2007 Legislature, but never implemented by the agency due to budget reductions in response to a decline in Highway Fund revenue during the 2007-09 biennium. Of the remaining 86 positions eliminated in the 2009-11 biennium, 83 were DMV Services Technicians, with 62 of these positions assigned to four metropolitan field offices in Southern Nevada, 16 of these positions assigned to the Reno-Galletti office, and 5 of these positions assigned to the Carson City office.

As a result of the decrease in staff by the 2009 Legislature, the department's average wait times increased from 39 minutes in FY 2008 to 79 minutes FY 2010. To address customer wait times, the 2011 Legislature approved Highway Fund appropriations of \$2.3 million over the 2011-13 biennium for up to 30 counter staff for Las Vegas metropolitan field offices. However, the 2011 Legislature approved placing this funding in reserve for further consideration by the Interim Finance Committee (IFC). The 2011 Legislature directed the department to monitor its kiosk program expansion, as well as trends in average monthly wait times, and approach IFC to transfer funding from reserve to add additional DMV Services Technician positions based on demonstrated need. The IFC approved a total of 25 DMV Services Technician positions during the 2011-13 biennium, with 20 of these positions assigned to Southern Nevada metropolitan field offices, 4 positions for the Elko office, and 1 position for the Winnemucca office. The 2013 Legislature approved the continuation of the 25 positions in the 2013-15 biennium.

In addition, the 2013 Legislature approved Senate Bill (S.B.) 303, which allowed for the issuance of driver authorization cards for residents unable to meet the proof of identity requirements for a driver's license. To assist with the issuance of these cards beginning on January 1, 2014, S.B. 303 included funding for 18 new DMV Services Technician positions for the 2013-15 biennium. These positions were placed in the Sahara office (4), Decatur office (3), Flamingo office (3), Henderson office (4), and Reno-Galletti office (4). At the department's Legislative Commission's Budget Subcommittee hearing on January 29, 2015, the DMV indicated there were 23,840 driver authorization cards active. These

cards are active for one year only and must be renewed in person at a DMV office. In addition, the department indicates that the written test failure rate for the driver authorization card was 69 percent from January 15, 2014, through January 31, 2015, which led to repeat visits by applicants and contributed to the number of customers served by the DMV.

The 2013 Legislature also approved S.B. 503, which allowed driver's license and identification card issuance periods to increase from four years to eight years. This issuance period change began on January 1, 2014, and is being implemented incrementally by issuing eight-year licenses to residents born on even-numbered years and issuing four-year licenses to residents born on odd-numbered years. Since individuals would renew their driver's licenses less frequently, the department indicated this change would reduce the number of transactions. However, individuals renewing an existing driver's license for an eight-year period must have an updated photograph taken, which requires these individuals to renew in person at a DMV office.

During the department's budget hearing on March 10, 2015, the department indicated that confusion regarding the federal REAL ID Act has also contributed to its customer volume. The DMV began issuing REAL ID-compliant driver's licenses and identification cards on November 12, 2014. Nevada driver's licenses and identification cards issued prior to November 12, 2014, are currently considered REAL ID-compliant by the Department of Homeland Security. However, the department indicates that many of its customers want a REAL ID-compliant card, or believe they must obtain a REAL ID-compliant card, which contributes to the customer volume. In addition, the department indicates that some of these customers do not have the appropriate documentation on their first visit to the DMV field office and must make a subsequent visit to the DMV field office.

Fiscal staff would note *Nevada Revised Statutes (NRS) 453A.740* requires the DMV to issue medical marijuana cards for patients and caregivers. The Department of Health and Human Services, Division of Public and Behavioral Health (DPBH) indicates there were 9,623 patient and caregiver cards active as of March 2015, compared to 5,747 cards active in March 2014. Medical marijuana cards are issued for a one-year period and individuals must renew in-person at a DMV office. However, Fiscal staff would note the DMV submitted a FY 2015 work program that provided funding for system programming changes that would allow data for medical marijuana cardholders to be transmitted from the DPBH to the DMV. The DMV indicates these programming changes would be completed in FY 2015 and may allow medical marijuana cards to be mailed, permitting most cardholders to no longer be served in a DMV office.

The department also indicates that as the economy improves, its customer count increases due to new vehicles being registered and new residents entering the state. At the department's Legislative Commission's Budget Subcommittee hearing on January 29, 2015, the department indicated 87,840 individuals exchanged out-of-state driver's licenses and identification cards for a Nevada driver's license or identification card in 2014.

Using data provided by the department, the following table reflects the total customer counts for the five metropolitan offices (Decatur, Flamingo, Henderson, and Sahara located in Southern Nevada and Reno-Galletti in Northern Nevada) for FY 2013, FY 2014, and FY 2015 (through March 2015).

Customer Counts at the Five Metropolitan DMV Field Offices (Thousands)														
FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Total	Jul - Mar Ttl
2013	143.2	152.0	134.5	139.8	127.7	127.9	141.7	141.1	163.7	152.9	146.4	142.2	1,713.1	1,271.6
2014	151.9	159.8	140.5	142.6	128.0	138.6	175.7	174.8	192.6	179.5	174.5	169.3	1,927.7	1,404.4
2015	174.8	171.1	180.3	178.4	155.7	181.7	195.8	187.5	184.8	NA	NA	NA	NA	1,610.0

Based upon the information in the previous table, 1.40 million total customers were served in these five offices in the first nine months of FY 2014 and 1.61 million customers were served in the first nine months of FY 2015, an increase of 14.6 percent. Also using data provided by the department, the following table reflects the average monthly wait times in the five metropolitan field offices for FY 2013, FY 2014, and FY 2015 (through March 2015).

Average Customer Wait Times at the Five Metropolitan DMV Field Offices (Minutes)														
FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY Average	Jul - Mar Avg
2013	41	42	44	40	42	31	38	51	58	45	45	48	44	43
2014	45	45	43	39	43	42	72	75	85	64	64	66	57	54
2015	69	71	93	75	119	97	136	158	126	NA	NA	NA	NA	105

Based upon the information in the previous table, the 54-minute average wait time in the first nine months of FY 2014 nearly doubled to a 105-minute average wait time in the first nine months of FY 2015. Notable wait times of 158 minutes, 136 minutes, and 126 minutes were reported for February 2015, January 2015, and March 2015, respectively. Fiscal staff would note the department has a long-standing customer wait time goal of one hour. Based on the addition of staff, The Executive Budget projects customer wait times will be 69 minutes in FY 2016 and decrease to 50 minutes in FY 2017. During the department’s budget hearing on March 19, 2015, the department indicated the projected wait times were calculated based on the additional customers that could be handled at the DMV field offices with the additional staff.

As of April 22, 2015, the DMV reports 29 vacant DMV Services Technician positions for the Field Services budget, with 24 of these vacancies at the five metropolitan DMV offices. The DMV also reports that job offers had been made for 9 of the 24 vacant positions, with anticipated hire dates of May 11, 2015. During the department’s budget hearing on March 19, 2015, the Subcommittee expressed concern regarding approving additional positions while the department currently had vacancies. The Director indicated that the department experienced constant turnover and vacancies were a routine part of the agency’s operations and aggressive action would be taken to fill its current vacancies, as well as the new positions. Fiscal staff requested an update on the department’s recruitment plan if the new positions are approved by the 2015 Legislature. The department indicated that, as of April 24, 2015, it has obtained a pool of 775 Southern Nevada candidates and approximately 150 Northern Nevada candidates who applied for a DMV Services Technician position. The department plans to interview these candidates over a three-week period in May 2015 and June 2015, and issue job offers shortly thereafter.

On March 6, 2015, the Executive Budget Office submitted Budget Amendment A150044735, which recommends additional Highway Fund appropriations of \$2.5 million in FY 2016 and \$355,781 in FY 2017 to modify the start date for all 75 recommended positions to July 1, 2015. This budget amendment is a companion to Budget Amendment A150024716 for the System Modernization budget that recommends a reduction in Highway Fund appropriations of \$2.8 million in FY 2016 based on delayed expenditures for the new system’s software. These budget amendments allow the department to remain within the Highway Fund appropriations originally recommended by the Governor. The DMV indicates it has developed a recruitment plan to fill all of its existing vacant positions (20), and the 75 new positions by July 1, 2015 (total of 95 positions). The recruitment plan provided by the department indicates some of the DMV recruitment processes would be streamlined and additional supervisory and training staff would contribute to the department’s recruitment efforts. If this budget amendment is approved, it appears the DMV would continue to be under the 31 percent administration cap recommended by the Governor by \$3.9 million in FY 2016 and \$3.6 million in FY 2017.



The department indicates its training plan for up to 82 new hires in Southern Nevada, which would include new and existing vacant positions, would consist of the following:

- Week 1-2 (July 1 – July 10): The DMV has reserved a lecture hall on the College of Southern Nevada campus where the new hires would attend training covering new employee orientation, Field Services Division orientation, and required training such as sexual harassment prevention.
- Week 3-4 (July 13 – July 24): The DMV has reserved two classrooms on the College of Southern Nevada campus where the new hires would be divided into two groups. Training would include policy and procedures regarding driver's licenses, registrations, and titles using printed material.
- Week 5-7 (July 27 – August 14): The new hires would be divided into three groups and would rotate through various DMV locations over this three week period. The week-long training sessions would include: 1) fraud detection and remediation, 2) computer training at the Decatur field office training room, and 3) observing transactions at four field office locations.

The department indicates it would conduct a similar seven-week training in Carson City for its Northern Nevada new hires. As the Subcommittee may recall, the department indicated during its budget hearing on March 19, 2015, that approximately two months after being hired a new employee is able to staff a field service office window. The department also indicated that approximately three months after being hired a new employee has the knowledge and comfort to begin handling transactions efficiently and independently.

**Decisions to be made:**

- 1. Does the Subcommittee wish to approve the addition of 54 new DMV Services Technician positions and 5 DMV Services Supervisor positions for the five DMV field offices?**
- 2. Does the Subcommittee wish to approve Budget Amendment A150044735, which recommends the start dates be modified for the recommended positions to July 1, 2015?**
- 3. Does the Subcommittee wish to approve 14 new DMV Services Technician positions and 2 DMV Services Supervisor positions for the five DMV field offices to cover vacancies, which would deviate from standard staffing practices for state agencies?**

**Fiscal staff requests authority to enter necessary technical adjustments.**

3. Customer Queuing System Enhancements (E-230, DMV-99): The 2013 Legislature approved Highway Fund appropriations of \$317,637 and reductions in maintenance of its legacy customer queuing system of \$53,439 in FY 2014 for a new automated customer flow queuing system for 12 field offices. The department implemented the new Dash Pass system, which allows customers to get in line for DMV services by checking in using the Internet, cellular phone, or other mobile device. The Dash Pass system texts or calls customers with an estimated wait time and provides updates as their turn approaches. Customers utilizing the Dash Pass system may also track their progress using the monitors at their local DMV field office, which display the wait times for customers using the last four digits of customers' phone numbers.

The Field Services budget includes \$51,810 in its base budget in each year of the 2015-17 biennium for annual maintenance of the software and hardware for its Dash Pass system. The Governor recommends additional Highway Fund appropriations of \$150,000 in FY 2016 and \$100,000 in FY 2017 for software and equipment enhancements for the Dash Pass system. The department indicates the recommended enhancements would increase the functionality of the system and provide additional

statistical reports. During the department's budget hearing on March 19, 2015, the department indicated this additional functionality would allow the department to implement appointments for the DMV. These appointments would allow the department to schedule an even flow of customers throughout the day. These appointments would enable the department to continue to serve those customers who must perform their transaction in-person at a DMV office, while at the same time also providing the department with the opportunity to educate other customers about alternative services that are available to complete their transactions.

The department indicates it would also have access to the system's configuration tool, which would enable DMV staff to customize text messages to customers, manage when text messages are sent, and provide access to the system's knowledge bank. The department also indicates the recommended enhancements to the system would enable customers to push themselves back in line or rejoin a line once their time has expired. The department indicates the projected cost for these enhancements were derived based on discussions and negotiations with the vendor regarding the department's system and hardware needs.

**If approved, this funding would be allocated to the DMV's operating category. Since the Department was not able to provide Fiscal staff with a formal estimate from a vendor regarding the costs of the system upgrade, the Subcommittee may wish to consider placing this funding in a reserve category within this budget over the 2015-17 biennium, and directing the DMV to seek authority from the Interim Finance Committee to utilize these funds once the agency can fully justify the costs of the system upgrade.**

#### **Options for Consideration**

- 1. Approve the Governor's recommendation for Highway Fund appropriations of \$150,000 in FY 2016 and \$100,000 in FY 2017 for software and equipment enhancements for the Dash Pass system.**
- 2. Approve the Governor's recommendation for Highway Fund appropriations of \$150,000 in FY 2016 and \$100,000 in FY 2017, but place the funding in reserve and direct the agency to seek authority from the Interim Finance Committee to utilize these funds once the agency can fully justify the costs of the Dash Pass system upgrade.**
- 3. Do not approve the Governor's recommendation for Highway Fund appropriations of \$150,000 in FY 2016 and \$100,000 in FY 2017 for software and equipment enhancements for the Dash Pass system.**
4. **Sahara Field Office Moving Costs:** The Governor's recommended Capital Improvement Program (CIP) includes \$23.5 million in funding for the replacement of the Sahara field office in Las Vegas (15-C04). On April 10, 2015, the Executive Budget Office submitted Budget Amendment A150714735, which creates Decision Unit E-250 that recommends Highway Fund appropriations of \$473,795 in FY 2017 for the Field Services budget's share (87.5 percent) of the cost to move to the new DMV field office on Sahara Avenue in Las Vegas. This budget amendment is a companion to Budget Amendment A150724722 for the Motor Vehicle Pollution Control budget that recommends funding the remaining portion (12.5 percent) of the moving costs for the Sahara DMV field office using funds in that budget. The recommended distribution is based upon the square footage assigned to the Motor Vehicle Pollution Control program in the new building. The decision regarding the Governor's recommendation for a new Sahara DMV field office is scheduled to be made by the K-12/Higher Education/CIPs Joint Subcommittee at its May 18, 2015, meeting.

**Does the Subcommittee wish to approve Budget Amendment A150714735 which recommends Highway Fund appropriations of \$473,795 in FY 2017 to support the Field Services budget's share of expenditures associated with moving to the new Sahara field office, contingent upon approval of the new building by the K-12/Higher Education/CIPs Joint Subcommittee?**

**Other Closing Items**

1. Document Manager Software Transfer (E-504 & E-904, DMV-99 & 101): The Governor recommends transferring annual technical support expenditures for document manager software of \$11,418 in FY 2017 from the REAL ID budget to the Field Services budget (E-904) and funding the revised expenditure amount associated with this annual support with a Highway Fund appropriation of \$9,450 in FY 2017 (E-504). The department indicates the DMV's disaster recovery system utilizes this software and three years of technical support was purchased utilizing federal REAL ID grant funds in FY 2014. Since this grant expires in FY 2015, the Governor recommends transferring the annual support expenditures associated with the software to multiple DMV budgets based on the number of software licenses held within each DMV budget. **These recommendations appear reasonable.**
2. Replacement Equipment (E-710, DMV-100): The Governor recommends Highway Fund appropriations of \$128,800 in FY 2016 and \$93,800 in FY 2017 to replace 344 secretarial chairs, 400 executive side chairs, and 280 telephones. **This recommendation appears reasonable.**
3. Replacement Technology Equipment (E-715, DMV-100): The Governor recommends Highway Fund appropriations of \$514,826 in FY 2016 and \$702,197 in FY 2017 to replace 363 desktop computers, 4 laptop computers, 340 flat-panel monitors, 393 printers, 23 dual monitors and cards, 19 bar code scanners, 17 vehicle identification number (VIN) scanners, 363 surge protector strips, 386 monitor privacy filters, 367 Windows Client Access licenses, 367 Microsoft Office Suite software packages, and 23 SharePoint licenses. **This recommendation appears reasonable.**
4. Replacement Credit Card PIN Pads (E-716, DMV-101): The Governor recommends a Highway Fund appropriation of \$231,619 in FY 2016 to replace all 283 personal identification number (PIN) pads used by the division for credit and debit card transactions and disposal of old pin pads units and \$19,825 in FY 2017 to replace 25 additional PIN pads as failures occur. The department indicates Europay, MasterCard, and Visa (EMV) require that new devices utilizing chip technology must be implemented by October 2015. The department indicates that if these new devices are not in use and there is a breach of security, the department may be responsible for financial damage for the customers and businesses served by the DMV. **This recommendation appears reasonable.**
5. Base Budget Technical Adjustments (BASE, M-100 & M-300, DMV-96, 97 & 98): Fiscal staff recommends the following technical adjustments that are reflected in this closing document:
  - Continuation of federal grant – The U.S. Department of Transportation Commercial Driver's License Program Implementation Grant. This grant was due to expire in March 2015, and was not reflected in The Executive Budget for the 2015-17 biennium. The department indicates a grant extension was provided through December 2016 and Fiscal staff made technical adjustments to incorporate grant-related expenditures of \$201,682 in FY 2016 and \$30,000 in FY 2017. (BASE)
  - Lawful status verification fee – On March 30, 2015, the DMV emailed Fiscal staff and indicated the department experienced an increase in the number of customers presenting documents needing to be verified through the American Association of Motor Vehicle Administrators' Verification of Lawful Status (VLS) system and U.S. Passport Verification Services (USPVS) system since the issuance of REAL ID-compliant driver's licenses and identification cards began to be issued in November 2014. When The Executive Budget was submitted, the department also understood the

federal Department of Homeland Security (DHS) fees associated with these verification submissions would not be charged in FY 2017; however, the department indicates it received clarification that these DHS fees would continue in FY 2017. Fiscal staff made technical adjustments to reflect the department's updated expenditure projections associated with these verifications of \$11,055 in FY 2016 and \$42,277 in FY 2017. (BASE)

- Position reclassifications – On April 9, 2015, an informational item was submitted to the Interim Finance Committee indicating PCN RE7004 (Administrative Assistant) increased from 0.51 FTE to 1.0 FTE and PCN CA5302 (DMV Services Technician) was eliminated, which was a 0.51 FTE. This results in a net decrease in the BASE of 0.02 FTE. (BASE, M-100 & M-300)
- Equipment warranty – The department indicates the warranty cost for its Propen VIN marking equipment was inadvertently excluded from The Executive Budget. A technical adjustment has been made to include the warranty cost of \$3,250 in each year of the 2015-17 biennium. (BASE)
- Mesquite office lease – The department indicates a new lease agreement for its Mesquite field office was approved by the Board of Examiners on January 13, 2015. Technical adjustments have been made to reflect the revised lease amount and eliminate the janitorial, utility, and pest control expenditures since the department indicates these services are included in the revised Mesquite office lease agreement. (BASE)

**These technical adjustments appear reasonable.**

**Does the Committee wish to approve Other Closing Items as recommended by the Governor, including the technical adjustments noted in Other Closing Item 5, and provide authority for Fiscal staff to make other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

**Title:** DMV - MANAGEMENT SERVICES  
**Account:** 201 - 4742

**Budget Page:** DMV-109, Volume III

	2013-14 Actual	2014-15 WP	%	2015-16 GOV REC	%	2016-17 GOV REC	%
<b>Revenues</b>							
HIGHWAY FUND	1,623,061	1,647,165	1.49	1,486,625	(9.75)	1,547,062	4.07
INTERAGENCY TRANSFER	17,850	236,877	1227.04	346,000	46.07	115,334	(66.67)
OTHER FUND				87,600			
REVERSIONS	(30,863)						
<b>Total Revenues</b>	1,610,048	1,884,042	17.02	1,920,225	1.92	1,662,396	(13.43)
<b>Total FTE</b>		16.00		17.00		17.00	

**Adjustments to Revenue**

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

**Adjustments to Expenditures**

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

<b>Total</b>	0	0
<b>Grand Total General Fund Impact of Closing Changes</b>	0	0

**Overview**

The Management Services and Programs (MSP) Division is responsible for the development of policies and procedures, regulations, draft legislation, training surveys, forms, and requests for proposal (RFP). The division also provides project management services. Funding for the Management Services and Programs Division is provided primarily with Highway Fund appropriations.

**Major Closing Issue**

New Management Analyst Position

**Discussion of Major Closing Issue**

New Management Analyst Position (E-225, DMV-111): The Governor recommends Highway Fund appropriations of \$59,131 in FY 2016 and \$71,254 in FY 2017 for a new Management Analyst position for the MSP Division. Currently, the MSP Division is managed by an Administrator position and is supported by four positions that provide administrative support. The remaining positions in the division staff two teams.

- Driver Program Team, consisting of one DMV Services Manager position, two Management Analyst positions, and two Program Officer positions, which is tasked with issues related to driver's licenses, identification cards, and driver authorization cards.
- Business Program Team, consisting of one DMV Services Manager position, three Management Analyst positions, and two Program Officer positions, which is tasked with issues related to the fuel industry, business licensing, and driver schools.

The department indicates the new position would be assigned to the Driver Program Team to balance the workload of the two teams. This position would perform research and monitor legislation to ensure the DMV complies with all state and federal mandates associated with the REAL ID Act, driver authorization cards, and commercial driver's licenses. The Management Analyst position would also manage projects, administer federal grants, and develop solutions associated with the issuance of driver's licenses and identification cards. Currently, the DMV Services Manager position that manages the Driver Program Team and other existing positions in the division perform some of these duties. According to the DMV, the additional position would allow the DMV Services Manager position to spend more time mentoring and training division staff.

The department indicates the addition of this position would also allow the agency to be more proactive in researching and analyzing department business processes for possible improvement. This would include performing reviews of department forms, policies, procedures, and manuals for possible revision. The department indicates that 30 existing policies/guides were revised, and 5 new policies were created in FY 2014 as separate service requests, while the division is responsible for maintaining approximately 500 policies. During the budget hearing on March 19, 2015, the department indicated that its policies are required to be reviewed annually pursuant to Section 2418 of the State Administrative Manual and DMV Policy 2.15. The division indicates it would be able to complete these annual reviews with the addition of the Management Analyst position. The department also indicates the addition of this position would assist the division in meeting its performance measure goal of completing projects on time, based on the initial timeframe agreed upon by its internal customers. In FY 2013 and FY 2014, the division completed 69.2 percent and 79.9 percent, respectively, of its projects on time (DMV-14). With the new position, the agency anticipates it would be able to complete 86.1 percent of its projects on time by FY 2017.

**Does the Subcommittee wish to approve the Governor's recommendation for a new Management Analyst position for the Management Services Division?**

**Other Closing Items**

1. Electronic Lien Title System Development (E-227, DMV-111): The Governor recommends Electronic Lien Title (ELT) System Reimbursement revenue of \$87,600 in FY 2016 for a contract Project Manager position to assist with the continued implementation of an ELT system as required by A.B. 309 that was approved by the 2013 Legislature. Currently, the department processes paper vehicle titles for dealers and finance companies, with vehicle owners acquiring the paper title once the vehicle is paid off. The new ELT system would provide for the storage of electronic titles, which would be printed and issued to the vehicle owner once the vehicle is paid off. Per the requirements of A.B. 309, the selected vendor for this new system would fund all implementation and operational costs associated with this new system. The department anticipates the ELT system would be completed in December 2015. This recommendation is linked to companion Decision Unit E-227 in the Automation budget, which reflects the ELT system programming expenditures (DMV-39). **This recommendation appears reasonable.**
2. Replacement Equipment (E-710, DMV-112): The Governor recommends Highway Fund appropriations of \$2,713 in FY 2016 and \$1,850 in FY 2017 to replace four executive side chairs, eight secretarial chairs, and one fax machine. **This recommendation appears reasonable.**

3. Replacement Technology Equipment (E-715, DMV-112 & 113): The Governor recommends Highway Fund appropriations of \$11,493 in FY 2016 and \$28,813 in FY 2017 to replace six desktop computers, two laptop computers, nine printers, six dual monitors and cards, one projector, one scanner, six surge protector strips, eight Windows Client Access licenses, eight Microsoft Office Suite software packages, eight Microsoft Project software packages, eight SharePoint licenses, five Microsoft Visio software packages, five Crystal Reports software packages, and two Adobe Acrobat software packages. **This recommendation appears reasonable.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor and provide authority for Fiscal staff to make other technical adjustments for updated revenue projections, departmental transfers, and cost allocations as necessary?**

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W01 - GOVERNOR RECOMMENDS

**Title:** CRC - COLORADO RIVER COMMISSION  
**Account:** 296 - 4490

**Budget Page:** COLORADO RIVER COMM-4, Volume III

Revenues	2013-14 Actual	2014-15 WP	%	2015-16 GOV REC	%	2016-17 GOV REC	%
BALANCE FORWARD	250,066	3,069,858	1127.62	2,622,162	(14.58)	2,396,922	(8.59)
INTERAGENCY TRANSFER	2,518,404	2,718,065	7.93	2,962,543	8.99	2,960,591	(0.07)
OTHER FUND	2,263,277	2,959,116	30.74	4,145,320	40.09	4,613,835	11.30
Total Revenues	5,031,747	8,747,039	73.84	9,730,025	11.24	9,971,348	2.48
<b>Total FTE</b>		40.00		45.00		45.00	

**Adjustments to Revenue**

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

**Adjustments to Expenditures**

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

**Overview**

The Colorado River Commission (CRC) was created in 1935 and is responsible for acquiring, managing, and protecting Nevada’s allocation of hydropower and water resources from the Colorado River (allocated to Nevada by the federal government) for the residents of Nevada. The Commission is governed by seven commissioners – four appointed by the Governor (including the chairman) and three members of the Board of Directors of the Southern Nevada Water Authority (SNWA). The CRC is supported by an administrative charge on the sale of electric power to the Commission’s customers and the SNWA. Additional revenues are received through the sale of raw water to a number of small water users along the Colorado River and from interest income derived from the investment of funds by the state.

The transfer of two water treatment plants owned by the CRC to the SNWA was approved by the 1995 Legislature (Assembly Bill 542). The legislation also directed the SNWA to provide payment to the CRC for all water-related expenses and directed the CRC to focus its efforts on issues related to water acquisition, continued management of the power generators at Hoover Dam, and resource management of the Colorado River. The primary resources of the Colorado River consist of hydroelectric power generated at the various dams on the river, the 300,000 acre feet of water allocated to Nevada from the Colorado River (which is 90 percent of Southern Nevada’s water supply) and the wildlife habitat and species associated with the Lower Colorado River Basin.



## **Major Closing Issues**

1. Three New Positions
2. Two New Executive Group Positions

## **Discussion of Major Closing Issues**

1. Three New Positions (E-225, CRC-6): The Executive Budget includes Power Administration Charges of \$398,917 and Cost Allocation Reimbursement of \$202,396 over the 2015-17 biennium to add three new unclassified Natural Resource Specialist positions with associated operating and travel costs.
  - a. One New Position for the Energy Services Group: One unclassified Natural Resource Specialist position is recommended to support the energy services group effective December 2015 to provide for increased workload related to the electric resource marketing activities for water customers.
  - b. Two New Positions Related to the Hoover Power Allocation Act: Two unclassified Natural Resource Specialist positions are recommended to support the hydropower group effective October 2015 and July 2016 respectively, which would support the increase in customer base pursuant to the reallocation of newly available Hoover Dam power. The Hoover power contracts with state, municipal and utility contractors mandated by Congress under the Hoover Power Plant Act of 1984 expire in 2017. The Hoover Power Allocation Act (HPAA) of 2011 (Public Law 112-72) was signed into law December 2011 ensuring the continued availability and reliability of Hoover power to the citizens of Arizona, California, and Nevada. The HPAA authorizes the Western Area Power Administration to offer 50-year contracts (2017-2067) to existing Hoover power contractors at 95 percent of their current allocations with the remaining 5 percent to be allocated to eligible entities and federally recognized Indian Tribes located in the Boulder City Marketing Area who do not currently have allocations of Hoover power. According to information provided by the agency in response to questions by Fiscal staff, the Colorado River Commission's Hoover hydropower customer base will increase between 10 to 13 customers from the current customer pool of 11, which represents an increase of 91 to 118 percent in Hoover hydropower customers. The CRC anticipates completing its Hoover power allocation process between the fall of 2015 and winter of 2016, and finalizing its contracts by September 2016.

In response to questions by Fiscal staff, any potential impact on the budgets for state agencies and/or the Nevada System of Higher Education that receive an allocation of power through the Western Area Power Administration and/or the Colorado River Commission Hoover Power Reallocation will not occur in the 2015-17 biennium. Billing for Hoover power resources will begin in federal fiscal year 2018, with service starting on October 1, 2017. The CRC staff anticipates providing new contractors with estimated costs based on their allocations by late summer of 2016 to use in preparation of their budgets. Although the information will be provided early enough to include in the Agency Request phase of the budget, CRC cannot be assured that the information will be available before the beginning of August 2016 since cost estimates are based on information provided by federal agencies. The CRC will work with impacted agencies to generate cost estimates usable for the agency request phase in the absence of federal information.

**Does the Subcommittee wish to approve the addition of three new unclassified Natural Resource Specialist positions with associated operating and travel costs to support the increased workloads related to electric resource marketing activities for water customers and an increase in the hydropower customer base pursuant to the Hoover Power Allocation Act?**

2. Two New Executive Group Positions (E-226, CRC-7): The Governor recommends Water Administration Charges of \$122,898 in FY 2016 and \$338,614 in FY 2017 to add one unclassified Deputy Director position in FY 2016 and one unclassified Natural Resource Specialist position in FY 2017 to the executive group to support the increasing activity related to the water resources of the Colorado River. The Governor's recommendation includes \$50,000 in FY 2017 to produce a water conference in cooperation with the Southern Nevada Water Authority.

According to information included in The Executive Budget, the recommended Deputy Director position would provide support and back up to the Executive Director in the areas of water resource activity. The existing Deputy Director is assigned to areas related to electric power resources. According to the agency, the additional Deputy Director position would allow the agency to be as involved, responsive, and proactive in the water related functions as it is in the power area. The recommended Natural Resource Specialist position would provide additional project oversight and support due to the anticipated increase in overall agency workload with the addition of new customers. The water conference would include invitations to various water agencies in the Colorado River Basin states and would further Nevada's Colorado River issues and inform our sister states of the special needs and problems within Nevada relative to water resources.

**Does the Subcommittee wish to approve the addition of two unclassified positions, one Deputy Director and one Natural Resource Specialist, with associated operating costs including \$50,000 to produce a water conference to support increasing activity related to the water resources of the Colorado River?**

#### **Other Closing Items**

1. Replacement Equipment (E-710, CRC-8): The Executive Budget includes \$56,174 over the 2015-17 biennium to replace 1 agency-owned vehicle with a Fleet Services vehicle, 7 iPads, 20 desktop computers with monitors, and various computer software. **This recommendation appears reasonable.**
2. Unclassified Position Reclassification (E-806, CRC-8): The Governor recommends total funding of \$14,034 over the 2015-17 biennium to reclassify an unclassified Power Division Chief to an Unclassified Energy Services Manager to align the position with the duties performed by the position. The position is part of the Energy Services Group, which purchases power for water deliveries in the Las Vegas area. **The approval of this decision unit would provide funding, however, the salary change will be considered in conjunction with the Unclassified Pay Bill, which will be considered at a later date.**
3. Dedicated Deputy Attorney General (New, Not Included in the Executive Budget): The Colorado River Commission requests a new dedicated Deputy Attorney General (DAG) to provide additional legal support. Although this recommendation was included in the Agency Request budget, it was inadvertently omitted from The Executive Budget. According to information provided to Fiscal staff by the agency, the CRC currently has one dedicated DAG that provides legal support and representation for its hydropower, energy services, and power delivery functions. However, in addition to routine electric services legal work, the CRC now has been tasked, under the federal Hoover Power Allocation Act of 2011, with two major new duties:
  - Work with the 14 other federal Hoover contractors in California and Arizona, to negotiate with the Western Area Power Administration and U.S. Bureau of Reclamation the new federal contract that will govern the State of Nevada's Hoover power allocations for the next 50 years; and
  - Negotiate with the CRC's 25 Nevada-based contractors the contracts that will govern their allocations.

Additional legal resources are also required to provide legal analysis and contracting support for over 50 other various contracts related to changes in Hoover power and other federal hydropower, such as contracts regarding audits, transmission arrangements, and hydropower operations. The position salary and associated operating costs total \$99,907 in FY 2016 and \$122,301 in FY 2017, which would be supported 100 percent in funds transferred by the CRC to the Attorney General's Office. Staff would note that the Senate Committee on Finance and the Assembly Committee on Ways and Means approved the addition of the dedicated Deputy Attorney General position for the CRC during the Attorney General's Office budget closing hearings on April 27, 2015, and April 29, 2015, respectively. **Based on the closing actions by the Senate Committee on Finance and Assembly Committee on Ways and Means, this recommendation appears reasonable.**

**Fiscal staff recommends Other Closing Items 1 and 2 be approved as recommended by the Governor with authority for staff to make technical adjustments as necessary. Fiscal staff recommends Other Closing Item 3 be approved consistent with the closing actions of the money committees in the Attorney General's budget.**

**Other Information – No Action Required by the Subcommittee**

Senate Bill 46, submitted by the Governor and re-referred without recommendation by the Senate Committee on Government Affairs to the Senate Committee on Finance on April 3, 2015, would exempt the Colorado River Commission as well as the Public Utilities Commission from the majority of the requirements of the State Budget Act; remove all officers and employees from classified and unclassified service; and require the respective commissions to adopt rules and policies regarding employment rights, salary ranges and benefits of its officers and employees. The officers and employees would remain eligible to participate in the Public Employees' Benefits Program and the Public Employees' Retirement System, but they would be exempt from NRS 281.123 that limits salaries of state employees to not more than 95 percent of the Governor's salary.

Nevada Legislative Counsel Bureau  
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 Subcommittee  
 W01 - GOVERNOR RECOMMENDS

Title: NDOT - BOND CONSTRUCTION  
 Account: 201 - 4663

Budget Page: NDOT-15, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	(94,090,812)	94,090,812	(200.00)				
OTHER FUND	100,018,664			100,000,000		150,000,000	50.00
Total Revenues	5,927,852	94,090,812	1487.27	100,000,000	6.28	150,000,000	50.00

Total FTE

**Adjustments to Revenue**

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

**Adjustments to Expenditures**

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

Total

Grand Total General Fund Impact of Closing Changes

0                      0

**Overview**

The Nevada Department of Transportation (NDOT) established the Bond Construction account to provide a separate accounting of expenditures associated with bond construction.

**Major Closing Issue**

Bond Funding for Project NEON Construction

**Discussion of Major Closing Issue**

**Bond Funding for Project NEON Construction (E-225, NDOT-15):** The Governor recommends the sale of highway revenue bonds (pledged for repayment with gasoline and special fuel tax proceeds) of \$100 million in FY 2016 and \$150 million in FY 2017 for the construction of Project NEON in Las Vegas. According to the department, Project NEON would improve traffic flow in the spaghetti bowl area by connecting the high occupancy vehicle (HOV) lanes on U.S. Highway 95 with the express lanes on Interstate 15, adding general purpose lanes on Interstate 15, and reconstructing various interchanges along Interstate 15 in the 3.7 mile corridor south of U.S. Highway 95. The Governor has identified the proposed Project NEON bond funding as a Major Budget Initiative (MAJOR BUDGET INITIATIVES – 34 & 35).

Fiscal staff would note that in December 2013, the Interim Finance Committee (IFC) authorized the sale of highway revenue bonds of \$100 million, which would be used to complete the right-of-way purchases needed for Project NEON.

In a February 18, 2015, memo to LCB Fiscal staff, the department projected an additional \$500 million would be needed to construct Project NEON, which NDOT indicated would be generated through bond sales of \$250 million in the 2015-17 biennium and bond sales of \$250 million in the 2017-19 biennium. The department also projected that 95 percent of the cost of Project NEON would be eligible for federal reimbursement. At the Transportation Board of Directors meeting on March 9, 2015, the department provided an updated construction cost for Project NEON of \$570 million. During the department's budget hearing on March 17, 2015, the department indicated that it would fund the additional \$70 million using capital construction funding in its operating budget. Fiscal staff would note NDOT projects its annual bond service payment will be \$68 million in FY 2015, which includes debt service expenses for the \$100 million bond sale approved by the IFC in December 2013, and is projected to increase to \$73.1 million in FY 2016 and \$80 million in FY 2017 with the additional debt proposed by the Governor financed over a 20-year period.

Until recently, NDOT's bond issuance policy stated the department would not issue bonds unless the pledged motor vehicle taxes were at least twice the combined annual debt service, for both existing and proposed bonds. Based on actual total gasoline and special fuels tax revenue of \$267 million in FY 2014, NDOT's official bond policy would limit its annual bond payments to no more than \$133.5 million ( $\$133.5 \text{ million} \times 2 = \$267 \text{ million}$ ). In addition to this formal policy, the department indicates that its informal policy further restricted annual bond debt service payments to no more than \$100 million.

In February 2014, Standards & Poor's Rating Services raised its rating for Nevada's highway revenue bonds from AA+ to AAA, the highest possible credit rating for that agency. Nevada's highway revenue bond rating is rated high by the other two major rating agencies (Fitch Ratings and Moody's), but not at the highest level for those two rating agencies. NDOT, in consultation with the Treasurer's Office, indicated it is possible these two rating agencies would raise their rating of the state's highway revenue bonds if the department bond policy was revised to reflect a lower annual bond debt service limit. Accordingly, NDOT recently proposed to the state Transportation Board that the department's bond policy be revised to indicate that NDOT will not issue bonds unless the pledged motor vehicle taxes are at least three times the combined annual debt service, for both existing and proposed bonds. Based on actual total gasoline and special fuels tax revenue of \$267 million in FY 2014, NDOT's annual bond payments as revised could not exceed \$89 million ( $\$89 \text{ million} \times 3 = \$267 \text{ million}$ ). This revised bond policy was approved by the state Transportation Board in February 2015. During the department's budget hearing on March 17, 2015, the department indicated this bond policy revision may result in its bond interest rates being reduced by as much as 0.50 percent. The department projects if the reduced interest rate is realized, it may provide interest savings of \$4.5 million for the \$500 million in proposed Project NEON bond issuances.

**Does the Subcommittee wish to approve the Governor's recommendation for the sale of highway revenue bonds of \$100 million in FY 2016 and \$150 million in FY 2017 for the construction of Project NEON in Las Vegas?**

**Information Only – No Action Required**

Assembly Bill 21: Currently, *Nevada Revised Statutes* 408.273 limits the issuance of state highway revenue bonds to no more than 20 years. Assembly Bill (A.B.) 21, requested by NDOT, proposes to extend the issuance period of these bonds to no more than 30 years. A.B. 21 was heard by the Assembly Committee on Ways and Means on March 31, 2015.

Nevada Legislative Counsel Bureau  
 Budget Closing Action Report  
 Public Safety, Natural Resources and Transportation Joint  
 Subcommittee  
 W02 - WORKING VERSION 2

Title: NDOT - TRANSPORTATION ADMINISTRATION  
 Account: 201 - 4660

Budget Page: NDOT-17, Volume III

Revenues	2013-14 Actual	2014-15 WP	% Chg	2015-16 GOV REC	% Chg	2016-17 GOV REC	% Chg
BALANCE FORWARD	78,322	625,867	699.09				
FEDERAL FUND	330,696,055	326,007,645	(1.42)	320,000,000	(1.84)	320,000,000	
HIGHWAY FUND	274,517,967	283,544,258	3.29	323,047,739	13.93	325,053,834	0.62
INTERAGENCY TRANSFER	12,726,594	5,199,817	(59.14)	4,855,025	(6.63)	4,906,334	1.06
OTHER FUND	207,702	920,595	343.23	775,395	(15.77)	775,395	
REVERSIONS	(120,183,115)						
Total Revenues	498,043,525	616,298,182	23.74	648,678,159	5.25	650,735,563	0.32
<b>Total FTE</b>		1,780.53		1,782.53		1,782.53	

**Adjustments to Revenue**

Dec Unit	Cat	GL	Description	2015-16	2016-17
M100	00	2507	Reduce Highway Fund authorizations to reflect elimination of materials cost included in Decision Unit M-100.	(4,000,000)	(4,000,000)
E806	00	2507	Increase Highway Fund authorizations to reflect change to retirement code for positions recommended to be reclassified.	4,927	4,934
<b>Sub-total</b>				(3,995,073)	(3,995,066)
<b>Line Item Changes to Revenues</b>				(3,995,073)	(3,995,066)

**Adjustments to Expenditures**

Dec Unit	Cat	GL	Description	2015-16	2016-17
B000	06	8000	Technical Adjustment - Revision to the fund transfer to DCNR and DPS.	(207,022)	(331,638)
B000	06	9000	Technical Adjustment - Revision to the fund transfer to DCNR.	(183,988)	(58,538)
B000	06	9000	Technical Adjustment - Revision to the fund transfer to DPS.	391,010	390,176
M100	04	7000	Technical Adjustment - Elimination of materials cost included in Decision Unit M-100.	(4,000,000)	(4,000,000)
E243	06	8000	Budget Amendment A150654660 - Transfer to the Office of the Attorney General for Project NEON legal support.	(391,398)	(516,197)
E243	06	9000	Budget Amendment A150654660 - Transfer to the Office of the Attorney General for Project NEON legal support.	391,398	516,197
E806	01	5000	Technical Adjustment - Correct retirement code for positions recommended to be reclassified.	4,927	4,934
<b>Sub-total</b>				(3,995,073)	(3,995,066)
<b>Line Item Changes to Expenditures</b>				(3,995,073)	(3,995,066)

<b>Total</b>				0	0
<b>Grand Total General Fund Impact of Closing Changes</b>				0	0

**Overview**

The Nevada Department of Transportation (NDOT) is administered by a seven-member board of directors consisting of the Governor (who serves as chairman), the Lieutenant Governor, the State Controller, and four members appointed by the Governor. The appointees reside in the three different highway districts, with two members representing District I that encompasses Clark County. The Director of NDOT is

appointed by the board of directors and is required by state law to develop and maintain a general transportation plan, collect information, and compile statistics and maps relative to the mileage, traffic, character and condition of all transportation modes. The Director is also required to provide general supervision over construction, improvement, and maintenance of transportation facilities and services authorized under the provisions of Nevada Highways, Roads, and Transportation Facilities law.

**Major Closing Issues**

1. Highway Fund Balance and Capital Expenditures
2. New Environmental Division
3. Major Budget Initiative: Fueling System Upgrade
4. New Welcome Station, New Rest Stops, and Stormwater Program Enhancements

**Discussion of Major Closing Issues**

1. Highway Fund Balance and Capital Expenditures: Major sources of revenue generated for the State Highway Fund consist of vehicle registration and driver’s license fees, special fuel tax, and gasoline tax. The following table displays actual revenue collections in FY 2014 and projected revenue for FY 2015 through FY 2017 as projected by the Department of Motor Vehicles (DMV), with updated projections as of April 17, 2015. The DMV projects Highway Fund revenue increasing by 1.8 percent in FY 2016 from FY 2015 (projected) and 1.6 percent in FY 2017 from FY 2016 (projected).

HIGHWAY FUND REVENUE FY 2014 THROUGH FY 2017							
HIGHWAY FUND REVENUE	ACTUAL			PROJECTED			
	FY 2014	FY 2015	% Chg	FY 2016	% Chg	FY 2017	% Chg
Registration, Titles, Plates	\$ 104,516,928	\$ 107,870,314	3.2%	\$ 111,352,195	3.2%	\$ 114,966,760	3.2%
Licenses	\$ 23,132,010	\$ 25,849,685	11.7%	\$ 25,936,788	0.3%	\$ 26,061,917	0.5%
Special Fuel (Diesel)	\$ 79,094,281	\$ 79,742,854	0.8%	\$ 81,055,998	1.6%	\$ 81,055,998	0.0%
Gasoline Tax	\$ 187,784,586	\$ 190,094,336	1.2%	\$ 192,432,496	1.2%	\$ 194,799,416	1.2%
Other Revenue	\$ 39,030,987	\$ 39,925,940	2.3%	\$ 40,847,742	2.3%	\$ 41,797,198	2.3%
<b>TOTAL</b>	<b>\$ 433,558,792</b>	<b>\$ 443,483,129</b>	<b>2.3%</b>	<b>\$ 451,625,219</b>	<b>1.8%</b>	<b>\$ 458,681,289</b>	<b>1.6%</b>

Significant users of Highway Funds include NDOT, the DMV, and the Department of Public Safety (DPS). Combined Highway Fund appropriations and authorizations to support these and other operating areas, excluding supplemental appropriations, Capital Improvement Projects, and one-shots, are recommended to increase from the level approved by the 2013 Legislature in FY 2015 of \$408.6 million to \$494.7 million in FY 2016 and \$498.7 million in FY 2017.

HIGHWAY FUND APPROPRIATIONS/AUTHORIZATIONS					
AGENCY	LEG APP	GOVERNOR RECOMMENDED			
	FY 2015	FY 2016	% Increase or Decrease	FY 2017	% Increase or Decrease
Department of Transportation	\$ 265,457,986	\$ 323,047,739	21.7%	\$ 325,053,834	0.6%
Department of Motor Vehicles	\$ 71,362,536	\$ 99,720,533	39.7%	\$ 96,786,078	-2.9%
Department of Public Safety	\$ 67,068,916	\$ 68,787,276	2.6%	\$ 70,003,488	1.8%
Transportation Authority	\$ 2,379,382	\$ 2,805,362	17.9%	\$ 2,967,460	5.8%
Department of Administration	\$ 2,367,294	\$ 325,072	-86.3%	\$ 3,900,000	1099.7%
Legislative Counsel Bureau	\$ 5,000	\$ 5,000	0.0%	\$ 5,000	0.0%
<b>TOTAL</b>	<b>\$ 408,641,114</b>	<b>\$ 494,690,982</b>	<b>21.1%</b>	<b>\$ 498,715,860</b>	<b>0.8%</b>

The 2011 Legislature approved the redirection of Governmental Services Tax (GST) Commissions and GST Penalties revenue from the Department of Motor Vehicles (DMV) to the General Fund in the 2011-13 biennium. The 2013 Legislature approved the redirection of GST Commissions and GST Penalties revenue from the DMV to the General Fund in FY 2015 only. The Governor recommends transferring the GST Commissions and GST Penalties revenue to the General Fund in

both years of the 2015-17 biennium. In order to account for this, the Governor recommends increasing Highway Fund appropriations for the DMV in an amount equal to the GST Commissions and GST Penalties revenue. Based on updated DMV revenue projections provided on April 17, 2015, GST Commissions and GST Penalties revenue is projected to total \$29.6 million in FY 2016 and \$31.2 million in FY 2017.

#### Highway Fund Balance

In recent biennia, NDOT identified an unrestricted Highway Fund balance of \$90.0 million as the minimum level necessary to maintain cash flow for operating and capital construction purposes. This minimum amount was based upon the projected cash flow necessary to sustain one month of operating and one and one-half months of capital construction program expenditures. Due to the recommended increased expenditure activity from the Highway Fund, the department recommends increasing the unrestricted minimum balance for the 2015-17 biennium to \$115.6 million. Based upon the Governor's recommendations and the updated DMV revenue projections provided on April 17, 2015, NDOT projects the Highway Fund will end the 2015-17 biennium with a remaining unrestricted balance of \$124.4 million, which is a decrease of approximately \$92.4 million from the unrestricted Highway Fund balance of \$216.8 million as of June 30, 2014. NDOT's projected Highway Fund balance assumes all budget amendments submitted by the Executive Budget Office recommending additional Highway Fund appropriations for the DMV or additional Highway Fund authorizations for NDOT are approved by the 2015 Legislature. The department's estimated fund balance calculations appear reasonable to staff.

#### Capital Expenditures

The Governor recommends funding for highway construction totaling \$418.4 million in each year of the 2015-17 biennium with a combination of federal funds and State Highway Fund authorizations. By way of comparison, NDOT expended \$291.0 million in FY 2014 for highway construction. The Governor also recommends the sale of highway revenue bonds (pledged for repayment with gasoline and special fuel tax proceeds) of \$100.0 million in FY 2016 and \$150.0 million in FY 2017 to begin construction of Project NEON in Las Vegas. According to the department, Project NEON would improve traffic flow in the spaghetti bowl area by connecting the high-occupancy vehicle (HOV) lanes on U.S. Highway 95 with the express lanes on Interstate 15, adding general-purpose lanes on Interstate 15, and reconstructing various interchanges along Interstate 15 in the 3.7 mile corridor south of U.S. Highway 95. The Governor's recommendation for the sale of highway revenue bonds is discussed in detail in the closing document for the NDOT Bond Construction budget.

Some of the other major projects the department would be working on during the 2015-17 biennium include:

- The Boulder City Bypass would alleviate traffic congestion on U.S. Highway 93 near Boulder City by creating a four-lane, divided highway that bypasses the city. The Boulder City Bypass, which eventually would become part of the future Interstate 11 linking Las Vegas and Phoenix, would be built in partnership with the Regional Transportation Commission of Southern Nevada. Based on its latest projections, NDOT estimates its portion of this project (Phase I) would cost \$101.0 million to construct.
- The USA Parkway extension would complete construction of a four-lane highway linking U.S. Highway 50 to the existing USA Parkway. NDOT estimates this project would cost \$70.0 million to construct and would provide additional access to the Tahoe-Reno Industrial Center.
- The Carson City Bypass would extend Interstate 580 from Fairview Drive to South Carson Street. NDOT estimates the cost to construct this final section of roadway would be \$50.0 million.



The Executive Budget projects federal fund receipts of \$320.0 million in each year of the 2015-17 biennium through the federal Moving Ahead for Progress in the 21<sup>st</sup> Century (MAP-21) Act, which provides authorizations from the federal highway trust fund. MAP-21 became law in July 2012, and was scheduled to expire in September 2014; however, the federal government extended MAP-21 through May 2015. At this time, it is unclear whether future federal transportation legislation would adversely affect NDOT's ability to secure federal funding. During the department's budget hearing on March 17, 2015, the Director stated his belief that a short-term federal solution would likely be implemented in May 2015, which would provide for continued federal transportation funding.

**Does the Subcommittee wish to approve the capital expenditures for each year of the 2015-17 biennium as recommended by the Governor?**

2. New Environmental Division: On April 10, 2015, the Executive Budget Office submitted Budget Amendment A150744660, that was later revised on April 21, 2015, with the submission of Budget Amendment A150814660, which recommends Highway Fund authorizations of \$9.3 million in FY 2016 and \$6.4 million in FY 2017 for 59 new positions and various equipment to establish a new NDOT Environmental Division. The department indicates this budget amendment was submitted after negotiating with the federal Environmental Protection Agency (EPA) and developing a consent decree, which is a settlement to resolve a dispute between two parties without admission of liability. The department indicates the new Environmental Division would allow the state to avoid potential multi-million dollar fines from the EPA.

The department indicates the federal Clean Water Act of 1972 requires state departments of transportation, as well as other governmental agencies, to obtain a National Pollutant Discharge Elimination System, Municipal Separate Storm Sewer System (MS4) discharge permit. These permits are intended to prevent and limit pollutants from entering bodies of water and the EPA has delegated oversight authority for NDOT's permit to the Nevada Division of Environmental Protection. The department's current MS4 permit expires in July 2015. In 2011, the EPA conducted an audit of the NDOT stormwater management program to assess the department's compliance with the permitting requirements. This audit report was released in 2012 and recommended increasing the number of NDOT employees receiving stormwater training, updating existing stormwater manuals, developing new stormwater manuals, and developing an illicit discharge detection and elimination (IDDE) program. In response to this audit, NDOT reclassified six vacant positions as stormwater staff positions over the 2013-15 biennium. Fiscal staff would also note The Executive Budget recommends funding of \$3.0 million over the 2015-17 biennium to provide stormwater upgrades at approximately 15 highway maintenance facilities, provide for additional stormwater training for NDOT staff, and fund a consultant to assist with developing new stormwater manuals and training materials for NDOT staff (E-730, NDOT-22).

NDOT indicates the EPA reviewed the department's stormwater efforts in late 2014. Based on the EPA review, a draft consent decree was provided to the department on February 25, 2015. The Nevada Division of Environmental Protection, which issues NDOT's MS4 discharge permit, negotiated the terms of this decree with the EPA. NDOT indicates these negotiations included organizational changes, which are reflected in the proposed budget amendment. NDOT indicates these changes address the requirements of the currently confidential consent decree.

NDOT's Environmental Division would be managed by a new Deputy Director position that would provide environmental and water quality program administration. Senate Bill (S.B.) 324, as amended, would provide authority for this third Deputy Director in *Nevada Revised Statutes* 408.175. In addition, S.B. 324, as amended, would authorize NDOT to impose certain civil penalties and compliance orders against any person who is responsible for illicit discharge of any substance onto a state highway, other than stormwater, in NDOT's right-of-way that could result in the pollution of the state's waterbodies.

The proposed enforcement authority includes the ability to investigate the source of any discharge, even if the source is not on NDOT property. Senate Bill 324 was heard by the Senate Committee on Transportation on April 7, 2015. During the hearing, the department indicated that NDOT's proposed enforcement authority is patterned after the Nevada Department of Environmental Protection enforcement authority, which currently provides discharge enforcement on NDOT's behalf. During NDOT's budget hearing on April 28, 2015, the department indicated the EPA would look favorably on the MS4 permit renewal if NDOT had illicit discharge enforcement authority.

NDOT's Environmental Division would consist of 68 positions, including the 6 positions reclassified as stormwater staff positions over the 2013-15 biennium. Three positions, including a Deputy Director, Division Chief and Administrative Assistant would provide executive management and support, with the remaining 65 positions assigned to the following sections within the division:

- Administrative Services (9 FTE): Implement the stormwater training program for NDOT employees, develop and implement social media campaigns to inform the public about actions that affect water quality, and provide updates for the department's Planning and Design Guide, which provides regulatory, policy, and technical requirements to incorporate permanent stormwater best management practices into the planning and design of applicable NDOT projects.
- Program Development (10 FTE): Prepare an annual report indicating if NDOT's discharges are contributing to water quality impairments, report on updates to the Planning and Design Guide, provide post-construction control measures and technical specification for contractors, and perform water quality monitoring activities.
- Field Support (30 FTE): Inspect, maintain, and record conditions of NDOT's storm sewer system infrastructure, including roadways used for stormwater conveyance, catch basins, storm drain inlets, open channels, washes, culverts, and retention/detention basins. Develop a Storm Sewer System Operations and Maintenance Manual as required by NDOT's MS4 permit.
- Enforcement (10 FTE): Enforce compliance with NDOT's illicit discharge and elimination program and ensure contractors and third parties granted encroachment permits are following the best management practices associated with stormwater. When necessary, enforcement staff will notify contractors and third parties of non-compliance, issue cease and desist orders, issue citations, and pursue legal action if necessary.
- Information Technology Management (6 FTE): Track and report all required data associated with NDOT's MS4 permit, including stormwater related infrastructure, maintenance of that infrastructure, construction site inspections, illicit discharge of contaminants, and right-of-way permit inspections. Design, implement, and administer a geographic information system for NDOT's stormwater program. Provide IT support for the members of the Environmental Division.

During NDOT's budget hearing on April 28, 2015, the Subcommittee expressed interest in contracting out some of the services that are recommended to be performed by the new positions. The department indicated that it currently contracts for some sweeper and vector truck services and the recommended positions and equipment would supplement that activity; however, NDOT indicates its staff must monitor the work performed by contractors. In addition, the department indicates these contract services are not available throughout the state. NDOT also indicates the EPA holds the department responsible for the maintenance performed at the various stormwater facilities, as well as the collection of data regarding the condition and frequency of maintenance at those facilities. Since the department is held responsible by the EPA for the maintenance and collection of data associated with these facilities, NDOT requests to utilize the recommended staff and equipment to perform the required activities as opposed to the utilization of contractors.

NDOT indicates these positions would continue in perpetuity to remain in compliance with the requirements of the federal Clean Water Act. Fiscal staff would note that only 9 existing positions are proposed to be reassigned to the Environmental Division, with the remaining 59 positions being new FTE for the department. Fiscal staff would note that as of April 10, 2015, NDOT had 35 positions vacant for a period longer than six months, 17 of which have been vacant for longer than a year. When asked by Fiscal staff if any of these positions could be reclassified and transferred to the new Environmental Division rather than seeking additional positions, NDOT indicated that none of its vacant positions could be reclassified as they were all necessary in fulfilling the department's mission and goals. With respect to many of these vacant positions, the agency noted that the positions were critical; however, the department indicated there have been no qualified applicants to fill these positions.

All 59 new positions are recommended to have a July 1, 2015, start date rather than an October 1, 2015, start date, which is typically used by agencies when budgeting for new positions. The department indicates the aggressive start date would convey to the EPA NDOT's commitment to these efforts, which may reduce the likelihood of retroactive fines. In addition, the department indicates the renewal of its MS4 permit would be assisted if the organizational structure and positions are established in July 2015, when the permit is slated to be renewed.

In addition to the 59 new positions, the budget amendments also recommend the following equipment and travel costs for the division:

Equipment and Travel Costs for the new Environmental Division	
	2015-17 Biennium Cost
Equipment	
9 Sweepers (3 for each district): Collects particulate matter, including salt and debris, and prevents this material from entering bodies of water.	\$2,700,000
6 Culvert Flusher Vactor Trucks (2 for each district): Cleans sediment from culverts and ensures water is able to flow and collect as designed.	\$2,580,000
32 Crew Vehicles (30 trucks and 2 cars): Transports division staff and equipment.	\$1,534,222
3 Radio Control Track Loader (1 for each district): Removes debris from small, confined stormwater collection boxes.	\$300,000
3 Camera Trucks (1 for each district): Allows maintenance staff to visually inspect stormwater infrastructure that may not be otherwise accessible.	\$495,000
Total Equipment:	\$7,609,222
Travel	
In-State Travel for Field Support Section maintenance crews, division management, and support staff.	\$43,000
Total Equipment and Travel:	\$7,652,222

The department indicates the recommended equipment would provide the tools necessary to perform the activities required by the consent decree.

**Options for Consideration:**

- 1. Approve Budget Amendments A150744660 and A150814660, which recommend Highway Fund authorizations of \$9.3 million in FY 2016 and \$6.4 million in FY 2017 for 59 new positions and various equipment to establish a new NDOT Environmental Division.**
- 2. Approve Budget Amendments A150744660 and A150814660 to establish a new NDOT Environmental Division and provide the recommended equipment; however, only approve 42 new positions and direct the agency to reclassify or reassign 17 existing, vacant positions to the new division. Fiscal staff estimates this option would reduce Highway Fund authorizations by approximately \$1.2 million in each year of the 2015-17 biennium.**

3. Do not approve Budget Amendments A150744660 and A150814660, which recommend Highway Fund authorizations of \$9.3 million in FY 2016 and \$6.4 million in FY 2017 for 59 new positions and various equipment to establish a new NDOT Environmental Division.

If the Subcommittee approves the new division, Fiscal staff requests authority to enter any necessary technical adjustments. The Subcommittee may also wish to issue a letter of intent requiring biannual reports be submitted to the Interim Finance Committee regarding the department’s activities in compliance with the EPA consent decree.

3. Major Budget Initiative: Fueling System Upgrade (E-225, NDOT-19): The Governor recommends Highway Fund authorizations of \$1.6 million in FY 2016 and \$4.9 million in FY 2017 to upgrade the department’s fueling system. The Executive Budget identifies the recommended fueling system upgrade as a Major Budget Initiative for the 2015-17 biennium (MAJOR BUDGET INITIATIVES-36 & 37). The system upgrade would consist of replacing most underground fuel tanks with above-ground tanks, incorporating modern fire safety enhancements to prevent fuel leakage and fires, and updating current key-based systems with more secure card-based systems. NDOT indicates this project would take four years to complete. NDOT estimates it will request approximately \$9.7 million in additional Highway Fund authorizations from the 2017 Legislature to complete this project for a combined total of \$16.2 million, with projected expenditures in the following areas:

NDOT Fuel System Upgrade: Projected Expenditures	
Storage Tank Replacement	\$6,000,000
Site Work and Materials Contingency	\$3,249,300
Fuel Pump Dispenser Replacement	\$2,256,000
System Replacement Plans, Specifications, and Construction Administration	\$2,166,200
New Monitoring Systems for Leaks or System Failures	\$1,400,000
Canopy Replacement Over Fuel Dispensers	\$480,000
Card Reader Replacement or Update	\$430,000
On-Site Document Storage Required by NV Dept. of Environmental Protection	\$265,000
Total:	\$16,246,500

NDOT indicates there are 53 fueling sites throughout the state, which are used by 86 state and local governmental agencies. The department indicates these locations are convenient for users, provide emergency preparedness since these locations would provide fuel for ongoing transportation and public safety operations, and are economical since fuel is sold to users at wholesale prices. NDOT indicates that most of its fuel dispensing sites were constructed in the 1990s with underground fuel tanks and estimates the average age of the fuel tanks to be 25 to 30 years old.

The department has cited the following issues in its existing fuel systems:

- Aging tanks that present environmental concerns since the underground fuel tanks could leak into the soil. NDOT indicates that none of these tanks are currently leaking fuel.
- Older pumps and monitoring systems that are difficult to maintain and pose a fire hazard.
- Frequent failure of electronic card readers used to obtain fuel.
- Dated technology used by the monitoring system, with limited staff available to make repairs.
- Antiquated key-lock mechanisms, which are failing and requiring replacement by modern card readers.
- Routine vapor lock by fuel systems during hot weather, which requires maintenance staff to visit the fueling station and make necessary repairs.

To address the noted concerns, the Governor recommends replacing 28 underground tanks, with most of these tanks being replaced with above ground fuel tanks that are easier to monitor for leaks. The Governor also recommends installing 49 modern gasoline dispensers, 20 key-card reader systems, and

28 monitoring systems. Since many users depend on this statewide system, NDOT indicates it would upgrade the fuel sites using a phased approach where NDOT would replace 10 percent in FY 2016, 30 percent in FY 2017, 40 percent in FY 2018 and 20 percent in FY 2019. NDOT would prioritize the replacement of its fueling systems by identifying sites with older fuel tanks, inoperable pumps, numerous false alarms, and operational problems in warm or cold weather.

**Does the Subcommittee wish to approve the Governor’s recommendation for Highway Fund authorizations of \$1.6 million in FY 2016 and \$4.9 million in FY 2017 to upgrade NDOT’s fueling system?**

4. New Welcome Station, New Rest Stops, and Stormwater Program Enhancements (E-730, NDOT-22): The Governor recommends Highway Fund authorizations of \$11.5 million in FY 2016 and \$11.4 million in FY 2017 to fund routine maintenance, new construction, and alterations of department-owned facilities (e.g. rest areas, maintenance stations) including:

<b>NDOT 2015-17 Biennium Maintenance of Buildings and Grounds</b>		
<b>Description</b>	<b>FY 2016</b>	<b>FY 2017</b>
<b>Routine Items</b>		
Carson City Headquarters: Renovate 3 <sup>rd</sup> floor HVAC system, and replace chiller and demolish water tower at the department’s material and testing laboratory.	\$900,000	\$0
District I (Southern Nevada): Extend 4-bay vehicle storage facilities at Montgomery Pass; construct an addition to the Tonopah administrative office, as well as remodel the existing offices; design and construct an addition at the Las Vegas yard (Washington Avenue); demolish and replace two buildings at Mountain Springs; conduct a study on the possibility of purchasing property for a new administration building; and install four generators at maintenance stations.	\$1,420,000	\$700,000
District II (Northwest Nevada): Install generators for all maintenance stations; construct new vehicle storage building and crew offices in Fernley; construct vehicle storage bay extension in Fernley; and install new elevator, fire sprinkler, and alarms at the Reno district office.	\$1,080,000	\$1,350,000
District III (Northeast Nevada): Install Americans with Disabilities Act (ADA) improvements (ramps, hand rails and parking), repair HVAC, and implement energy saving improvements at Elko office; design new equipment shop and paint booth in Elko; make improvements to comply with ADA and repair HVAC, roof, asphalt, and lighting at West Wendover welcome station; conduct a study on the possibility of building a new maintenance facility in Eureka; make improvements to comply with the ADA at the Ely office; replace siding at six staff residences in Orovada and Quinn River; and conduct a study on the possibility of building a new maintenance station in Winnemucca.	\$720,000	\$950,000
Statewide: Employ the State Public Works Division to provide planning and review services, as well as inspect state buildings; statewide improvements such as painting, electrical, and building maintenance; and statewide building enhancements installed by NDOT personnel.	\$1,900,000	\$1,900,000
<b>One-Time Items</b>		
NDOT Stormwater Management Program	\$1,000,000	2,000,000
New rest stops and welcome station	\$4,500,000	\$4,500,000
<b>TOTAL</b>	<b>\$11,520,000</b>	<b>\$11,400,000</b>

Fiscal staff does not have any issues with the routine items listed above as the department traditionally includes similar expenditures in its budget; however, the Governor's recommendation also includes one-time expenditures of \$3.0 million for the NDOT stormwater management program and \$9.0 million for the construction of two new rest stops and a welcome station over the 2015-17 biennium.

- NDOT Stormwater Management Program: NDOT indicates the funding of \$3.0 million recommended by the Governor for its stormwater management program over the 2015-17 biennium would provide stormwater upgrades at approximately 15 highway maintenance facilities, provide for additional stormwater training for NDOT staff, and fund a consultant to assist with developing new stormwater manuals and training materials for NDOT staff. The department indicates the stormwater upgrades at its highway maintenance facilities include enhancements to the existing vehicle wash stations, re-grading maintenance yards to prevent stormwater from flowing outside NDOT's right-of-way, and installing underground storm drainage systems as necessary. NDOT indicates this funding would supplement the stormwater efforts of the new Environmental Division that was previously discussed.
- New Rest Stops and Welcome Station: Currently, NDOT has 36 rest facilities across the state and the Governor recommends \$4.5 million for the construction of two new limited service rest stops that would replace two existing rest stops near Beowawe on Interstate 80 and \$4.5 million for a new full-service welcome station at Trinity (Interstate 80 and U.S. Highway 95) over the 2015-17 biennium. The department indicates new rest stops would be constructed on each side of Interstate 80 near Beowawe and would be open by summer 2017. The rest stop amenities would include restrooms, exterior interpretative displays, and possibly Wi-Fi. The Trinity welcome station would be open by fall 2016 and would provide an indoor visitor center, restrooms, outdoor interpretative features, Wi-Fi, and possibly electric vehicle charging stations.

The department indicates additional NDOT staff would not be needed to operate the rest stops; however, the Trinity welcome station would be staffed by Department of Tourism and Cultural Affairs (DTCA) positions during regularly scheduled hours. The DTCA projects two full-time Museum Attendant positions and two volunteer positions would be needed for this location. These positions would maintain the welcome station, assist visitors by providing information and direction, and prepare interpretative presentations. The Governor does not recommend new DTCA positions to staff the Trinity welcome station in the 2015-17 biennium; however, the DTCA indicates that it will request positions in the future. The DTCA also indicates that if these positions were not approved, only self-guided, interpretative exhibits would be available at the Trinity welcome station.

**Does the Subcommittee wish to approve the Governor's recommendation for Highway Fund authorizations of \$11.5 million in FY 2016 and \$11.4 million in FY 2017 to fund routine maintenance, new construction, and alterations of department-owned facilities, including the stormwater management program enhancements and three additional rest facilities?**

#### **Other Closing Items**

1. New Risk Management Information System (E-230, NDOT-20): The Governor recommends a Highway Fund authorization of \$10,000 in FY 2016 for NDOT's share of a new web-based statewide Risk Management Information System (RMIS). The RMIS would be managed by the state's Risk Management Division and would provide a unified platform for the division and NDOT to better track and manage risk exposures related to assets, state-owned or leased locations, and employees. The RMIS would include incident management, which includes auto and property claims, liability claims, and workplace violence reporting. Fiscal staff would note that on April 23, 2015, the Joint Subcommittee on General Government recommended approval of the RMIS that would be managed by the state's Risk Management Division. This recommendation appears reasonable.

2. Transfer to the Office of Attorney General (E-243, Budget Amendment): On April 10, 2015, the Executive Budget Office submitted Budget Amendment A150654660 which creates Decision Unit E-243 that would transfer \$391,398 in FY 2016 and \$516,197 in FY 2017 to the Office of the Attorney General (OAG) to provide funding for a Project NEON legal team within the OAG. To fund this transfer, this budget amendment recommends equal expenditure reductions in the Land and Building category for the use of outside legal consultants. The OAG indicates the Project NEON legal team would consist of five new positions dedicated to Project NEON: two unclassified Special Counsel positions, two unclassified Legal Researcher positions, and one classified Supervising Legal Secretary position. The agency anticipates that each Special Counsel position would lead a “trial team” consisting of a Legal Researcher position and existing OAG staff for Project NEON litigation, which includes eminent domain and property rights issues. Fiscal staff would note the Project NEON team for the OAG was approved by the Senate Committee on Finance on April 27, 2015, and the Assembly Committee on Ways and Means on April 29, 2015. **This recommendation appears reasonable.**
3. Nevada Shared Radio System Enhancements (E-375, NDOT-20): The Governor recommends Highway Fund authorizations of \$270,270 in FY 2016 and \$141,891 in FY 2017 to purchase radio equipment to enhance the Nevada Shared Radio System (NSRS). The NSRS is a statewide 800 MHz trunked radio system operated through a public-private partnership between NDOT; the Washoe County Regional Communications System; and NV Energy in accordance with the regulations of the Federal Communications Commission. The recommended radio equipment would establish three new radio sites in Jackpot, Carlin, and Eureka, which would improve radio system coverage in those areas. **This recommendation appears reasonable.**
4. Transfer of Positions from the Division of Enterprise Information Technology Services (E-504 & E-904, NDOT-20, 21 & 23): The Governor recommends transferring two Information Technology (IT) Professional positions from the Division of Enterprise IT Services (EITS) to NDOT (E-904) and funding these positions with reductions in the EITS Programmer/Developer charges for NDOT of \$335,416 in FY 2016 and \$335,358 in FY 2017 and Highway Fund authorization reductions of \$116,503 in FY 2016 and \$117,750 in FY 2017 (E-504). These positions support NDOT’s Integrated Financial System and were transferred to EITS during the 2009-11 biennium with the goal of creating efficiencies, cost savings, and better customer service. NDOT indicates improvements in these areas were not realized. The department indicates the supervision and cross training of these positions would be improved if they were housed within NDOT. Fiscal staff would note that on April 30, 2015, the Joint Subcommittee on General Government recommended approval of the transfer of these positions from EITS. **This recommendation appears reasonable.**
5. Equipment Replacement (E-710, NDOT-21): The Governor recommends Highway Fund authorizations of \$5.4 million in each year of the 2015-17 biennium to replace vehicles and radios. The department indicates 37 pickups, 31 dump trucks, 16 passenger vehicles, 9 utility/service trucks, 3 survey trucks, 2 vans, and 2 water trucks would be replaced. Two hundred of the department’s 800 MHz radios would also be replaced over the 2015-17 biennium. NDOT indicates that the replacements are based upon the equipment’s age, mileage, condition, cost of repairs, and district equipment need. The equipment recommended for replacement is 15 years old, on average, and all of the vehicles recommended for replacement have odometer readings greater than 100,000 miles.

Fiscal staff would note that at its February 6, 2014, meeting, the Interim Finance Committee (IFC) approved an NDOT work program that transferred \$1.5 million from the Equipment category to the Operating category. This work program allowed NDOT to rebuild 15 dump trucks, rather than purchase replacement trucks for approximately \$325,088 each. The department indicated it would rebuild existing trucks for an estimated cost of \$100,000 for each truck and be able to operate these trucks for an additional 12 years or 195,000 miles. NDOT’s base budget includes \$1.5 million in each

year of the 2015-17 biennium to rebuild approximately 15 dump trucks or similar vehicles each year. **This recommendation appears reasonable.**

6. New Equipment (E-720, NDOT-22): The Governor recommends Highway Fund authorizations of \$3.6 million in FY 2016 and \$2.7 million in FY 2017 to purchase office furniture and operational equipment. This includes specialized equipment such as generators, air compressors, welders, and snow blowers for \$3.5 million; 6 sweepers for \$1.7 million; 1 culvert cleaner truck for \$250,000; 2 snow tow-plows for \$230,000; 200 Electronic Construction Documentation System (EDOC) tablet devices for \$160,000; and 1 high-speed profiling system to measure roadway smoothness for \$80,000.

Decision Unit E-720 also includes funding of \$386,758 over the 2015-17 biennium to establish a temporary Project NEON office near the construction site, including \$196,800 for office furniture, \$135,658 for computers and hardware, and \$54,300 for computer software. NDOT indicates it traditionally establishes temporary offices at construction sites to house engineers, consultants, and attorneys supporting the project. The department indicates the Project NEON leased office space would house 30 positions, provide office and meeting space, and be within walking distance of the construction site. Fiscal staff would note that NDOT's base budget includes \$227,347 in each year of the 2015-17 biennium to lease space for this temporary Project NEON office. **This recommendation appears reasonable.**

7. Position Reclassifications (E-806, NDOT-22 & 23): The Governor recommends Highway Fund authorizations of \$22,560 in FY 2016 and \$16,116 in FY 2017 to reclassify a classified Communications Director (Grade 40) to an unclassified Communications Director (net increase in salary and benefits of \$8,586 in FY 2016 and \$3,179 in FY 2017) and reclassify an unclassified Administrative Coordinator to an unclassified Administrator of External Civil Rights (net increase in salary and benefits of \$15,072 in FY 2016 and \$13,723 in FY 2017). The department indicates the Communications Director currently serves as the administrator of NDOT's Public Information Division and is ultimately responsible for NDOT's communication with the public, the business community, and government officials. The department indicates the Administrative Coordinator position has evolved and currently serves as the Division Administrator of External Civil Rights and is responsible for Civil Rights, Disadvantaged Business Enterprise, Americans with Disabilities Act, and Limited English Proficiency Programs. Fiscal staff entered a technical adjustment to correct a discrepancy in the retirement assignments for the existing positions and the proposed reclassified positions, which is reflected in this closing document. This recommendation will be more thoroughly discussed by the money committees during the Unclassified Pay Bill hearing.

8. Base Budget Technical Adjustments (BASE & M-100, NDOT-17, 18 & 19): Fiscal staff entered technical adjustments reflecting updates in the fund transfers to the Department of Public Safety and Department of Conservation and Natural Resources, which reflect the fund transfers approved by the Public Safety, Natural Resources, and Transportation Joint Subcommittee's closing recommendations or the amounts reflected in The Executive Budget (BASE). Fiscal staff also entered technical adjustments reflecting the elimination of \$4.0 million in materials costs in each year of the 2015-17 biennium that were incorrectly entered in Decision Unit M-100. These technical adjustments are reflected in this closing document. **These technical adjustments appear reasonable.**

**Does the Subcommittee wish to approve Other Closing Items as recommended by the Governor, including Budget Amendment A150654660 and the technical adjustments noted in Other Closing Items 7 & 8, and provide Fiscal staff with authority to make other technical adjustments as necessary?**