

**MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON WAYS AND MEANS
AND THE
SENATE COMMITTEE ON FINANCE
JOINT SUBCOMMITTEE ON HIGHER EDUCATION AND CAPITAL
IMPROVEMENTS**

**Seventy-Third Session
June 1, 2005**

The Assembly Committee on Ways and Means and the Senate Committee on Finance, Joint Subcommittee on Higher Education and Capital Improvements, was called to order at 2:26 p.m., on Wednesday, June 1, 2005. Chairman Morse Arberry Jr. presided in Room 3137 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Mr. Morse Arberry Jr., Chairman
Ms. Chris Giunchigliani, Vice Chairwoman
Mr. Lynn Hettrick
Ms. Sheila Leslie
Mr. John Marvel
Mr. Richard Perkins

SENATE COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chairman
Senator Barbara Cegavske
Senator Bob Coffin
Senator Bernice Mathews

STAFF MEMBERS PRESENT:

Mark Stevens, Assembly Fiscal Analyst
Gary Ghiggeri, Senate Fiscal Analyst
Tracy Raxter, Program Analyst
Connie Davis, Committee Attaché
Carol Thomsen, Committee Attaché

Chairman Arberry indicated that the Subcommittee would be discussing the "2005 Capital Improvement Program (CIP) Potential Project Additions and Available Funding" handout ([Exhibit B](#)).

Senator Raggio explained that [Exhibit B](#) outlined the recommended funding for the projects on the 2005 Capital Improvement Program. The handout listed the University and Community College System of Nevada (UCCSN) recommended projects and the method of funding. Senator Raggio indicated that leadership had met and recommended the budget be closed with those project additions and the funding as indicated.

SENATOR RAGGIO MOVED TO APPROVE THE
RECOMMENDATION AND ADOPT THE RECOMMENDED CLOSURE
OF THE CAPITAL IMPROVEMENT PROGRAM (CIP) PROJECTS.

SENATOR MATHEWS SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

Chairman Arberry directed the Subcommittee's attention to [Exhibit C](#), the "Additional Changes to Governor Recommended CIP Projects for the 2005-2007 Biennium."

Senator Raggio explained that there were three items for which changes had been discussed. One such item was 05-C01, the project to repair the tile in the Sawyer Building. He indicated that in extended discussions with leadership additional information had been requested regarding the project and there were serious questions raised. It was recommended that the Subcommittee limit the authority of the Public Works Board to complete the tile removal and the sealing of the building exterior, and then allocate the funding that was requested but require that the Board approach the Interim Finance Committee (IFC) for approval of the selection of the type of new building exterior skin and the installation. He pointed out that would leave the final decision open; however, the funding would be available through the IFC.

Assemblywoman Giunchigliani agreed with Senator Raggio and expressed the hope that when the Public Works Board approached the IFC, the Board would bring the proposal in the form of a bid proposal with suggestions for materials and unit prices.

Chairman Arberry indicated that he would accept a motion.

SENATOR RAGGIO MOVED TO APPROVE ITEM 05-C01 AS RECOMMENDED.

ASSEMBLYWOMAN GIUNCHIGLIANI SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

Senator Raggio explained that the second item in question was 05-C06 ([Exhibit C](#)). He said that information had been received ([Exhibit D](#)) indicating that there was inflation necessitating the adoption of a revised cost estimate based on construction bids received.

Tracy Raxter, Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau, addressed the Subcommittee. Mr. Raxter explained that project 05-C06, as recommended by the Governor, was recommended for funding of \$15,822,050 for furniture, fixtures, and equipment (FF&E) and for the cost of cabinetry, casework, and countertops for the University of Nevada, Las Vegas (UNLV), Science and Engineering Complex. The Public Works Board had provided information indicating that bids for the project were just opened and the construction bids were higher than the available construction funding. The Public Works Board had bid the project with a base bid and then requested additional bids for alternate items. Alternate A would include the cold room for the facility, and Alternate B included cabinetry, casework, and countertops.

Mr. Raxter indicated that the recommendation of the State Public Works Board was to use the recommended funding for Project 05-C06 for construction of that facility and to defer the costs of furnishings and equipment and the cabinetry, casework, and countertops to the 2007 CIP. The deferral costs would total approximately \$14 million. The total construction cost would be \$71.4 million.

SENATOR RAGGIO MOVED TO ADOPT THE RECOMMENDATION WITH THE UNDERSTANDING THAT THE 2007 LEGISLATURE WOULD ADDRESS THE FUNDING FOR THE FURNISHINGS AND EQUIPMENT.

ASSEMBLYMAN PERKINS SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

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Senator Raggio addressed item 05-P08 and explained that in the original closing the impression had been that the building would be demolished and the Campos Building for Parole and Probation would be constructed at another site. Since that time, the Subcommittee had been informed that the proposed construction for the interchange was not such that the building should be moved. The plan was to demolish the building and construct a new building at the same site.

SENATOR RAGGIO MOVED TO PROVIDE THE FUNDING OF APPROXIMATELY \$1.2 MILLION AS RECOMMENDED BY THE GOVERNOR FOR THE PLANNING OF THE ORIGINAL 59,000-SQUARE-FOOT BUILDING AND PARKING GARAGE FOR THE CAMPOS BUILDING.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

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Chairman Arberry directed the Subcommittee's attention to [Exhibit E](#), the "Capital Improvement Program Project Extensions" handout.

Senator Raggio requested that an agency representative explain the request for extensions.

Daniel O'Brien, Manager, State Public Works Board, addressed the Subcommittee. Mr. O'Brien indicated that the Board was requesting that the projects be extended. In some cases, the projects were nearing completion and needed "wrap-up" work so having them completed by July 1, 2005, was not feasible. He noted that there had been discussion regarding maintenance projects that had not been completed in the past, but [Exhibit E](#) showed that there were only a few maintenance projects that had not been completed. Some of those projects had been rolled into other projects and had been extended.

Mr. O'Brien stated that [Exhibit E](#) outlined the request and it was expected that during the last week of the next session there would not be as many

extensions. He indicated that he had testified that additional staff was needed to take care of the projects.

Senator Raggio noted that he had a letter ([Exhibit F](#)) indicating that the other funding for Project 01-C16, the Redfield Campus Building project, might not be necessary. He asked that Vice Chancellor Klaich provide further information.

Daniel J. Klaich, Vice Chancellor of Legal Affairs, University and Community College System of Nevada, asked if Senator Raggio was referring to the FF&E funding.

Senator Raggio said he had a copy of a letter ([Exhibit F](#)) to the Vice President of Administration and Finance on that project indicating that the other funding was unnecessary.

Robert E. Dickens, Ph.D., Director, Office of Governmental Relations, University of Nevada, Reno, addressed the Subcommittee. Dr. Dickens explained that the project was complete and the building would be open for classes in the fall semester. The original project authorization involved matching funds from the state as well as from the university. He pointed out that there had been several "fits and starts" with the project, including the death of an architect. As the project had been started and stopped and started, the scope of the project had been reduced and the project had been completed for the amount listed in the memorandum ([Exhibit F](#)).

Dr. Dickens added that he had appeared before the Interim Finance Committee (IFC) several times to keep the IFC apprised of the situation and the changes.

Senator Raggio said that [Exhibit F](#) contained a revised FF&E build-out budget. He asked if that was a description of the status of the project. He pointed out that the issue was the request for additional funding, but it appeared that the additional funding was unnecessary because the project was completed. Dr. Dickens indicated that was correct.

Mr. O'Brien interjected that in order to complete the requirements of the special use permit, which was landscaping and so forth, it was necessary to proceed with that work. The project did have state funds available to do that work, but there was a requirement of matching funds from the UCCSN, and that was what was being requested. In order to move forward, there had to be approval from the Legislature to not require the UCCSN to provide the additional \$2 million.

SENATOR RAGGIO MOVED TO ACCEPT THE PROJECT EXTENSIONS AS INDICATED IN [EXHIBIT E](#) AND TO AMEND THE REQUIREMENT FOR THE FUNDS ON PROJECT 01-C16 THAT WERE TO BE OTHERWISE PROVIDED AND AUTHORIZE THE STATE PUBLIC WORKS BOARD TO EXPEND THE AVAILABLE FUNDS FOR THE PURPOSE OUTLINED IN [EXHIBIT F](#).

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

MOTION CARRIED. (Mr. Perkins was not present for the vote.)

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Robin V. Reedy, Deputy Treasurer Debt Management, Office of the State Treasurer, addressed the Subcommittee and submitted [Exhibit G](#) and [Exhibit H](#). Ms. Reedy said she had been asked to testify regarding the assessed value and the taxes assessed to pay indebtedness. She reminded the Subcommittee that during the previous legislative session, the assessment was \$0.16 for the general obligation debt and \$0.01 for the "Question 1" (Q1) debt. She recommended that the assessment be \$0.1585 for general obligation debt and \$0.0115 for Q1 debt.

Ms. Reedy explained that the Q1 money was set aside specifically for the \$200 million that had been issued. She said her intent had been to issue the debt for Q1, which the public had voted for, without increasing property taxes.

Senator Coffin questioned how much the limit had been exceeded with the actions taken up to that point.

Ms. Reedy said she did not have the final numbers but in conversations with Mr. Raxter it appeared that the Legislature had not exceeded the limit outlined in earlier projections. She noted that The Executive Budget had proposed more money than what the specific biennium indicated could be issued, but that was common given that projects could extend past the two years and funds from the following biennium would be used. She added that the Governor's proposed budget was \$15 million over the total for the biennium, which was an acceptable amount.

Senator Coffin asked if that meant the tax rate would not need to be raised to fund what was planned. Ms. Reedy said her job was to assess what was needed for the taxes, and she did not think that would be a problem.

Senator Coffin asked how much it cost, in the long run, to build a \$50 million building. He asked how many years the project was bonded and how much it cost overall.

Ms. Reedy explained that "the rule of thumb" was that a \$50 million building, borrowing money at 20 years, would probably cost approximately \$100 million, depending on interest rates. She pointed out that as current interest rates were quite low, the amount might be closer to \$80 million, but if rates increased, the building could cost \$100 million. She reiterated that the rule of thumb was simply to double the initial amount. That amount could be affected by how the debt was arranged as well. If the debt was "back-ended" so there were lower payments in the early years, and larger payments in the later, higher interest years, the building could actually cost much more than \$100 million. She said the Treasurer's Office tried to set up "level debt" so the payments were even.

Senator Coffin commented that, despite the surplus and awareness of the high cost of bonding construction projects, he was disappointed that the state continued to bond projects rather than pay cash. He noted that paying cash had been a tradition in Nevada, but was no longer done.

Ms. Reedy agreed and said that the rating agencies looked at how much cash the state spent versus how much was bonded. She said she had not had any indications from the rating agencies that the actions taken by the Legislature would negatively impact the state's rates.

Senator Coffin asked what kind of signal would be sent to the bonds markets if Nevada returned to pay cash for projects rather than borrowing. Ms. Reedy said

she could not speak for the ratings agencies, but she thought the ratings agencies would view that as a positive.

SENATOR RAGGIO MOVED TO APPROVE THE RECOMMENDED
RATE OF \$0.1585 FOR THE GENERAL OBLIGATION BOND AND
\$0.0115 FOR THE Q1 BONDING.

ASSEMBLYMAN MARVEL SECONDED THE MOTION.

MOTION CARRIED UNANIMOUSLY.

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Chairman Arberry adjourned the meeting at 2:51 p.m.

RESPECTFULLY SUBMITTED:

Susan Cherpeski
Transcribing Secretary

APPROVED BY:

Assemblyman Morse Arberry Jr., Chairman

DATE: _____

Senator William J. Raggio, Chairman

DATE: _____

<u>EXHIBITS</u>			
Committee Name: <u>Assembly Committee on Ways and Means/Senate Committee on Finance Joint Subcommittee on Higher Education and Capital Improvements</u>			
Date: <u>June 1, 2005</u>		Time of Meeting: <u>1:30 p.m.</u>	
Bill	Exhibit	Witness / Agency	Description
	A		Meeting Agenda
	B	LCB Fiscal Staff	2005 Capital Improvement Program Potential Project Additions and Available Funding (1page)
	C	LCB Fiscal Staff	Additional Changes to Governor Recommended CIP Projects for the 2005-07 Biennium (1 page)
	D	LCB Fiscal Staff	Public Works Board Memorandum (3 pages)
	E	LCB Fiscal Staff	Capital Improvement Program Project Extensions (2 pages)
	F	Senator Raggio	Memorandum re: Project 01-C16 (4 pages)
	G	Robin Reedy/Treasurer’s Office	Debt Capacity Report (16 pages)
	H	Robin Reedy/Treasurer’s Office	Outstanding and Proposed Debt Service (1 page)