

**MINUTES OF THE
SENATE COMMITTEE ON FINANCE**

**Seventy-third Session
April 11, 2005**

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:02 a.m. on Monday, April 11, 2005, in Room 2134 of the Legislative Building, Carson City, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file at the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator William J. Raggio, Chair
Senator Bob Beers, Vice Chair
Senator Dean A. Rhoads
Senator Barbara K. Cegavske
Senator Bob Coffin
Senator Dina Titus
Senator Bernice Mathews

STAFF MEMBERS PRESENT:

Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Sandra Small, Committee Secretary

OTHERS PRESENT:

Ashley Carrigan, Director, Washington, D.C., Office, Office of the Governor
Ryan McGinness, Legislative Assistant, Washington D.C., Office, Office of the Governor
Ronald P. Dreher, Peace Officers Research Association of Nevada
Robert W. Buonamici, Chief Game Warden, Department of Wildlife
Francis J. Chaves, Game Warden, Department of Wildlife
John Tyler Turnipseed, Game Warden, Department of Wildlife
Frank Adams, Executive Director, Nevada Sheriffs' and Chiefs' Association
Steven B. Silva, Senior Law Enforcement Specialist, State Department of Conservation and Natural Resources
Sabra Smith-Newby, City of Las Vegas
Jim Fry, Deputy Risk Manager, Risk Management Division, Department of Administration
Gilbert A. Yanuck, Vice-Chairman, Carson City Advisory Board to Manage Wildlife
Terry R. Crowth, Director, Department of Wildlife
Bill Bradley, Board of Wildlife Commissioners, Department of Wildlife
P. Forrest Thorne, Executive Officer, Board of the Public Employees' Benefits Program
Gary H. Wolff, Teamsters Union Local 14
Michael D. Hillerby, Chief of Staff, Office of the Governor
Andrew List, Nevada Association of Counties
Christina Dugan, Las Vegas Chamber of Commerce
Dan Musgrove, Clark County
Carole Vilardo, Nevada Taxpayers Association
Anne K. Loring, Washoe County School District
Rose E. McKinney-James, Clark County School District

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Martin Bibb, Retired Public Employees of Nevada
Danny N. Coyle, American Federation of State, County and Municipal
Employees, Retiree Chapter Local 4041
James T. Richardson, Nevada Faculty Alliance
Keith Rheault, Ph.D., Superintendent of Public Instruction, Department of
Education
Joyce Haldeman, Clark County School District
Dana Bilyeu, Executive Officer, Public Employees' Retirement Board, Public
Employees' Retirement System

CHAIR RAGGIO:

We have several bill draft requests (BDR) for Committee introduction.

BILL DRAFT REQUEST S-1382: Makes appropriation for restoration and
preservation of exterior of Lear Theater in Reno. (Later introduced as
[Senate Bill 503](#).)

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF
BDR S-1382.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE
VOTE.)

BILL DRAFT REQUEST S-1415: Makes appropriation for implementation of
Offender Tracking Information System for Department of Corrections. (Later
introduced as [Senate Bill 502](#).)

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF
BDR S-1415.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE
VOTE.)

BILL DRAFT REQUEST S-1418 Makes appropriation for purchase of voting
machines for Clark County. (Later introduced as [Senate Bill 501](#).)

SENATOR COFFIN MOVED FOR COMMITTEE INTRODUCTION OF
BDR S-1418.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR CEGAVSKE VOTED NO. SENATOR
TITUS WAS ABSENT FOR THE VOTE.)

BILL DRAFT REQUEST S-1420: Makes appropriation to Future Stars of America to contract with instructors, rent space for classrooms and build community awareness of program. (Later introduced as [Senate Bill 500](#).)

SENATOR RHOADS MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1420.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

BILL DRAFT REQUEST S-1409: Makes appropriation to Easter Seals Southern Nevada for construction of new facility. (Later introduced as [Senate Bill 499](#))

SENATOR CEGAVSKE MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1409

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

BILL DRAFT REQUEST S-1422: Makes appropriation for expenses relating to operation and maintenance of Elgin Schoolhouse as historic site for visitation by public. (Later introduced as [Senate Bill 498](#).)

SENATOR COFFIN MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1422.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

BILL DRAFT REQUEST S-1411: Makes appropriation for community protection and fire safety. (Later introduced as [Senate Bill 497](#).)

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1411.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS WAS ABSENT FOR THE VOTE.)

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CHAIR RAGGIO:

We will review Senate Bill (S.B.) 91. Some amendments to this bill have been recommended.

SENATE BILL 91: Makes supplemental appropriation to Department of Corrections for unanticipated operating expenses for Fiscal Year 2004-2005 and for expenses relating to takeover of Southern Nevada Women's Correctional Facility for Fiscal Year 2004-2005. (BDR S-1192)

GARY L. GHIGGERI (Senate Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Staff has reviewed the legislation as introduced. Based upon updated information contained in the memorandum dated April 9, 2005 (Exhibit C) staff recommends the appropriation be increased to \$3,719,069. The first page of the memorandum indicates the intended use of the funding. Staff recommends the bill be amended to reflect the use of the funding.

CHAIR RAGGIO:

Are these funds for utilities?

MR. GHIGGERI:

The bulk of the costs are related to utilities. There are some operating and maintenance costs and inmate-driven expenses at High Desert State Prison where the population has exceeded projections. There is approximately \$1.2 million applicable to the continued operation of the Southern Nevada Women's Correctional Facility which was taken over by the state last fall.

CHAIR RAGGIO:

Do we have the proposed amendment?

MR. GHIGGERI:

We do not. Staff will get one.

CHAIR RAGGIO:

The Chair will take a motion that an amendment be provided for S.B. 91 consistent with staff's report.

SENATOR COFFIN MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 91.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The amendment will be requested. When we get it, we will process S.B. 91. We will hear the Washington, D.C., Office budget.

ELECTED OFFICIALS

Washington Office – Budget Page ELECTED-9 (Volume I)
Budget Account 101-1011

ASHLEY CARRIGAN (Director, Washington, D.C., Office, Office of the Governor):
I will read my prepared statement ([Exhibit D](#)). Our office advocates for Nevada's federal interests, monitors legislation, policy and coordinates efforts among the Governor's Office, state government officials and the Congressional delegation. I have provided a copy of the 2003-2004 Nevada Washington Office Accomplishments ([Exhibit E](#)) and a support letter dated March 16, 2005, signed by the members of the Nevada delegation ([Exhibit F](#)).

CHAIR RAGGIO:
How long have you been with the Office.

MS. CARRIGAN:
I have been there since June 2000.

CHAIR RAGGIO:
We just got your information. When you present your budget, we need to have these performance indicators in advance. We have not had a chance to look through your documents. In the future, and we requested this last session, submit your budget with more details on the expenditures and performance indicators so we do not have to guess what you have been doing. Would you highlight some of your accomplishments?

MS. CARRIGAN:
One of the primary responsibilities of the Washington, D.C., Office is to monitor transportation issues and related funding. We serve as the main source of information on highway projects and, as a result, bring a significant amount of federal grant funds to Nevada.

CHAIR RAGGIO:
Please explain the list of projects in [Exhibit E](#).

MS. CARRIGAN:
We are working on those projects with our Congressional members for the next appropriation cycle. Mr. McGinness is our primary contact for transportation issues.

RYAN MCGINNESS (Legislative Assistant, Washington, D.C., Office, Office of the Governor):

We are working toward reauthorization of the transportation bill for the next six years. We work with Washington, D.C., entities and counties, cities and various transportation entities throughout Nevada to reach a consensus on priorities we can present to the delegation. Some states are unable to reach a consensus and their delegation determines the priorities. In the interest of the entire state, we work closely with all agencies dealing with transportation to present a unified front to the delegation. Nevada's high-growth status makes it imperative that our needs are assessed on an on-going basis.

MS. CARRIGAN:
The Governor requested a Presidential Disaster Declaration. We moved forward with that and coordinated efforts with the delegation. The White House alerted us as soon as we received that declaration for the snow and flooding in Clark, Lincoln and other affected Counties.

CHAIR RAGGIO:

Are you working on federal grant availability with all of our agencies?

Ms. CARRIGAN:

Yes, we e-mail a list of available federal grants to state agencies.

CHAIR RAGGIO:

Your payroll is \$144,000 which is a 29.45-percent increase over FY 2004. Why is that?

Ms. CARRIGAN:

That probably covers Mr. McGinness and me. Mr. Mike Pieper is in charge of the budget.

CHAIR RAGGIO:

Have you received an increase in salaries?

MR. MCGINNESS:

I am not positive because I do not handle the budget, but it may include health care and other benefits.

CHAIR RAGGIO:

The Committee would like detail on that item. How is the \$9,200 for professional fees used?

Ms. CARRIGAN:

That might be fees to the National Governor's Association.

CHAIR RAGGIO:

This is a hearing on your budget. Who has that information?

Ms. CARRIGAN:

I have the information. Mr. Pieper has hired someone to help access the Federal Register notices and grants.

CHAIR RAGGIO:

Mr. Pieper is under contract for \$267,000. Are you recommending any increase in that? Do you plan to continue that contract arrangement for the coming biennium?

MR. MCGINNESS:

Yes. The professional fees you are referring to are paid to Mr. Loren Williams, a subcontractor who scours the Federal Register every day.

CHAIR RAGGIO:

Does Pieper and Associates represent other cities and agencies?

MR. MCGINNESS:

We have two other clients: the City of Corona, California for the federal government and we do a coalition-building project for Blue Cross-Blue Shield.

CHAIR RAGGIO:

Do you have a daily role with the Washington, D.C., Office?

MR. MCGINNESS:

Yes, I handle transportation and land issues for the Washington, D.C., Office, but I also handle the other two clients.

MS. CARRIGAN:

I focus on the State of Nevada.

CHAIR RAGGIO:

Will you provide us with the detail requested?

MS. CARRIGAN:

Yes, I will.

SENATOR TITUS:

You gave us this list of accomplishments, [Exhibit E](#), but it sounds like the accomplishments of the Congressional delegation. Why do we need this Washington, D.C., Office? What does it mean when you say you work with them? It has been my experience that your office acts as a host by picking people up at the airport and providing refreshments to the delegation.

MS. CARRIGAN:

We do a good job of streamlining the process. There are five to eight employees on the House side working for a specific member. It is hard for them to tackle every Nevada issue. They deal with the federal legislation and how it affects the state. We are there to help them understand why legislation affects the state. We also host legislatures and different state agencies when they visit.

SENATOR TITUS:

The declaration from the President was fine, but we did not get that money. What are you doing with Yucca Mountain? We have a highly paid lobbyist and legal team working on that. We heard the Congressional delegation take credit for all the things you are saying you did.

MR. MCGINNESS:

It is a team effort. We act as the main point of contact for the State of Nevada. If a representative needs information on how the Medicaid funding formula will affect Nevada, or how specific budget items will affect Nevada, we provide those answers as quickly and reliably as possible. As citizen legislators, you can appreciate it is not possible to track every issue. On a proactive basis, we are scouring every bill that could possibly have an effect on Nevada to be sure our delegation is aware.

SENATOR TITUS:

What about the cuts in Medicaid and what is happening with Yucca Mountain?

MS. CARRIGAN:

Both the House and the Senate have recently passed a budget. They have appointed conferees. They are proposing the elimination of 150 programs. The Senate worked to put some of those programs back. Whether there will be a budget or not I cannot tell you. I am working with the delegation as far as Medicaid cuts go. There were instructions in the House bill to find \$20 billion worth of savings in the Medicaid programs. The Senate bill does not have that provision. We worked hard to make sure the Senate did not have that provision in their bill.

SENATOR TITUS:

You said you work with them. What do you do?

MS. CARRIGAN:

I help them understand how matters affect the state. I provide them with information and examples. We coordinate meetings with Nevada's Medicaid administration and with the Department of Human Resources. We have countless conference calls. I have meetings with them on the Hill to let them know how Nevada is affected. I give them excel spreadsheets on the numbers, how many Medicaid recipients will be affected and how it affects the hospitals.

SENATOR TITUS:

Do you find working for Blue Cross-Blue Shield takes away from your effort for Nevada?

MS. CARRIGAN:

No, I do not. I focus primarily on the State of Nevada.

MR. MCGINNESS:

Ms. Carrigan handles health-care issues for Nevada. We do not represent Blue Cross on a federal basis.

SENATOR TITUS:

Would you address Yucca Mountain?

MR. MCGINNESS:

Things continue to develop. When Governor Kenny Guinn, Attorney General Brian Sandoval and Mr. Robert Loux, Executive Director, Agency for Nuclear Projects, came to testify, we helped coordinate with them to be sure we had all the information needed for testimony before Mr. Porter's committee. This is another team effort.

SENATOR CEGAVSKE:

Your budget shows a decrease in taxes, dues, subscriptions and outside services. Utilities have increased. Did we acquire more space?

MR. MCGINNESS:

We are in the same office space. We have no control over the cost of utilities. Within the Hall of States there is an organization called the State Services Organization. They provide the services and we sublease from them. Utilities include anything State Services provides to us, for instance, mail service, conferencing service and utilities.

SENATOR TITUS:

Were you notified of the increases?

MR. MCGINNESS:

Yes, they keep us updated on potential increases.

SENATOR TITUS:

The cost of office supplies also increased.

MR. MCGINNESS:

Two computers had to be upgraded.

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SENATOR TITUS:
Can you explain the other changes?

MR. MCGINNESS:
We will provide the answers to you.

SENATOR COFFIN:
I look forward to your Monday e-mail. Can you keep us informed about what the federal government is doing with legislators and the campaign issue?

MS. CARRIGAN:
I will be happy to follow any issue and provide information.

CHAIR RAGGIO:
We will close the hearing on the Washington, D.C., Office budget. We have another request for Committee introduction.

BILL DRAFT REQUEST S-1423: Makes appropriation to the Legislative Fund.
(Later introduced as [Senate Bill 504](#).)

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF
BDR S-1423.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:
We will open the hearing on S.B. 203.

SENATE BILL 203: Revises various provisions relating to industrial injuries and occupational diseases of certain police officers and firefighters. (BDR 53-1078)

SENATOR MATHEWS:
I support S.B. 203 and will read my prepared statement ([Exhibit G](#)).

RONALD P. DREHER (Peace Officers Research Association of Nevada):
I request your support of S.B. 203. During the 71st Legislative Session, A.B. No. 313 was signed into law and provided certain benefits to firefighters and emergency medical attendants for the treatment of hepatitis. It provided for a conclusive presumption that hepatitis is an occupational disease for firefighters and emergency medical attendants, established requirements for eligibility for statutory presumption and required testing of such employees for the presence of hepatitis. The 72nd Legislative Session provided those same benefits to certain local law enforcement peace officers covered under *Nevada Revised Statutes* (NRS) 617.135 by passing S.B. No. 184. Senate Bill 203 would provide those same benefits to certain state law enforcement officers who are listed in NRS 617.135. Section 4 of S.B. 203 lists those who would be included. It is the Peace Officers Research Association of Nevada's intent to eventually include coverage for all of our state peace officers covered under NRS 289.010 with certain exceptions. There are over 8,000 peace officers in

our state. Of those, with the passage of S.B. 203, approximately 7,300 peace officers would be covered.

You will hear testimony today from other agencies that we will be working with to include them in this coverage. We will continue to work with the Risk Management Division to achieve this goal over future legislative sessions. We ask that this Committee reappropriate \$12,000 to initiate annual physical testing for the rangers of the Division of State Parks. Apparently, this small amount was taken out of their budget this year. We are not asking that they be included in S.B. 203 coverage at this time.

CHAIR RAGGIO:

Section 4 adds employees of the Nevada Highway Patrol Division of the Department of Public Safety (DPS) and game wardens. Are you suggesting we appropriate an amount for State Parks' rangers but not include them in the list? Would you clarify that? Are there others you propose to add?

MR. DREHER:

I am not suggesting the addition of others who are not currently listed in S.B. 203. There was an allocation in the State Parks' budget for annual physicals which was not approved in the Governor's budget. Before Risk Management looks at providing this coverage, they would like to have physical testing begin. The cost is \$300 for each employee. There are about 37 State Parks rangers.

CHAIR RAGGIO:

Is this a request to make an appropriation to State Parks' budget?

MR. DREHER:

I would like to see it added if it is appropriate to add that amount to their budget. I do not want to complicate S.B. 203 with this suggestion.

CHAIR RAGGIO:

Has State Parks requested that?

MR. DREHER:

You will be hearing some testimony to that effect.

CHAIR RAGGIO:

Any amendments requested must be submitted in written form to the Committee.

MR. DREHER:

I am not asking for an amendment to this bill.

Hepatitis C in Police Work is an article published by Ms. Leslie Gibbenhuck, the British Columbia President of the Hepatitis Foundation. She writes that hepatitis C is an epidemic affecting over 200 million people. All emergency workers are at high risk. Not only do police officers work with a sector of the population at risk, the prisons, drug users and drunks, but also they are first responders to motor vehicle accidents and domestic disputes. Police officers have been known to use physical force to restrain or arrest. It is common to come into contact with blood and bodily fluids, either through direct contact with individuals or through gathering evidence, in the course of an investigation.

Until recently, no police officer was advised to wear gloves, protective eyewear or to create barriers between themselves and the customer. Transmission of hepatitis C may occur with exposure to blood 100 percent of the time; saliva, 48 percent of the time; seminal vaginal fluid, 24 percent of the time and urine, 7 percent of the time. If there is any risk of transmission, the employer has a legal and moral obligation to safeguard its employees by whatever means reasonably possible.

Game wardens should be included in the heart and lung coverage for occupational disease. Game wardens are classified as Category I peace officers. As such, they fall under the Public Employees Retirement System (PERS) for police/fire early retirement. All Category I peace officers under PERS police/fire retirement receive heart and lung coverage except game wardens. Local police officers patrol beats, enforce and investigate crimes, investigate accidents and serve and protect the public. Game wardens are the law enforcement branch of our rural areas. They are first responders to rural emergencies. They protect and serve the public. They enforce and investigate rural crimes and accidents. In all aspects, they perform the same functions as local law enforcement. For the past 20 years, game wardens have been given heart and lung physical examinations under the presumption they were covered under the heart/lung statute. However, because they are not included in the definition of individuals covered under NRS 617.135, they are not eligible. Senate Bill 203 corrects this.

To briefly go through the bill, section 1 provides certain law enforcement officers with hepatitis A, B and C coverage. According to Risk Management, there is no fiscal impact. Section 2 clarifies the coverage of certain contagious diseases for police officers and firefighters. There is no fiscal impact. Section 3 clarifies that certain police officers and firefighters will be tested upon termination and post-termination for tuberculosis, diseases associated with tuberculosis and hepatitis. It also eliminates the current liability incurred by Risk Management for not performing these tests. There is no fiscal impact.

CHAIR RAGGIO:

What is the purpose of the added language at the bottom of page 5, section 3, subsection 3?

MR. DREHER:

Apparently, there were two opinions written. One was by the Attorney General's Office in 2000 that stated just the opposite of the language of the law. The Division of Industrial Relations (DIR) had a contradictory opinion in 2001. The DIR opined that even though there was no prior documented exposure, the employee should be tested at the time of termination and post-termination. If the employee subsequently tests positive for hepatitis or tuberculosis, it is conclusively presumed they got it in the line of duty. The testing is provided at three-, six- and nine-month intervals. Those tests have not been conducted for game wardens and other Category I officers not currently specified in the law. The added language provides that the tests will be performed. The liability is there for the agency not performing the tests. I retired in 1999. According to the law, I should have been tested. Other police officers have never been tested. If we were tested and were shown to have no exposure, then there would be no liability to the agencies. If we were exposed, then it would be presumed we were exposed on the job. We are trying to correct this enormous liability.

Section 4 of S.B. 203 clarifies the list of agencies included in NRS 617.135.

CHAIR RAGGIO:

How many officers would be covered if we amend section 4?

MR. DREHER:

There are approximately 40 game wardens that would be added to the heart and lung statute. The Risk Management Division states the cost can be absorbed in the current requested funding and reserves. The game wardens have been taking the annual heart and lung physical examinations for over 20 years and have had no known claims.

CHAIR RAGGIO:

What about DPS?

MR. DREHER:

I believe they are already receiving heart and lung coverage. It may be because of the divisions added to DPS.

There are problems in the Department of Corrections (DOC). Correctional officers are often spit on by inmates.

Section 6 outlines how baseline testing for hepatitis would be carried out for the peace officers listed in NRS 617. Those peace officers would have to be tested between October 1, 2005, and September 30, 2006, in order to receive the presumptive coverage. If the officers fail to take the test and later contract hepatitis, the presumption would be rebuttable.

Section 7 excludes those peace officers already diagnosed with hepatitis from the provisions of S.B. 203.

ROBERT W. BUONAMICI (Chief Game Warden, Department of Wildlife):

Our officers, although under different conditions and locations than a police officer, do the same job. We are responsible for boating safety and enforcement of boating laws. We are highway patrol on the water responding to accidents and traffic enforcement. In our situation an ambulance is unable to respond. We are, therefore, transporting bloody victims. We routinely incur exposures to bodily fluids. We are first responders to accidents in the wilderness. We are required by Peace Officer Standards and Training (POST) to complete blood-borne pathogen training on an annual basis. We request inclusion in S.B. 203. I have provided the Committee with a handout, 2004, Nevada Department of Wildlife ([Exhibit H](#), original is on file at the Research Library).

FRANCIS J. CHAVES (Game Warden, Department of Wildlife):

I have been with the Department since 1990. I have worked as a peace officer for two other agencies in the state, DOC and Parole and Probation. Those agencies are covered under the heart and lung statute. A game warden is the highway patrol in the water. In the south, at Lake Mead, the Colorado River and Lake Mohave we are involved in investigating serious boat accidents with fatalities. We constantly get blood on us, particularly during the Fourth of July, Memorial Day and Labor Day holidays. I see little difference between our duties and those of other professional peace officers in the state. I urge you to support S.B. 203.

JOHN TYLER TURNIPSEED (Game Warden, Department of Wildlife):

I am based out of the Winnemucca office. I am president of the Nevada Game Warden Association. I am supporting S.B. 203 on behalf of that Association. I was on Lake Mead for about six years investigating boat accidents and fatalities. When we respond to one of those, it takes a lot of time to get emergency medical personnel to the scene. I responded to a single-car rollover accident in Hiko. We were attempting to stabilize a person with a broken neck and skull fracture. It can take over an hour before medical support arrives. The law enforcement agencies work closely in small communities like Winnemucca and Overton.

FRANK ADAMS (Executive Director, Nevada Sheriffs' and Chiefs' Association):

We support the two main issues in S.B. 203, the infectious disease, especially with the outbreak of hepatitis nationwide, and the heart and lung issue for wildlife officers.

STEVEN B. SILVA (Senior Law Enforcement Specialist, Division of State Parks, State Department of Conservation and Natural Resources):

I am not asking that State Park's peace officers be included in this bill at this time. I would like this Committee to add to our operating budget the funds removed in the Governor's budget for medical monitoring purposes. We would like to continue the health monitoring by providing annual physicals for our game wardens. We will work with Risk Management so that we can come back to this Committee during a future session to obtain full coverage under infectious diseases.

CHAIR RAGGIO:

Why was this removed from the budget?

MR. SILVA:

I do not know. It was in our proposed budget.

CHAIR RAGGIO:

What is the amount?

MR. SILVA:

It is just over \$12,000 each year. I have provided you with a Statement in Support of S.B. 203 ([Exhibit I](#)) which gives additional details.

CHAIR RAGGIO:

I would like staff to find out why this amount is not included. Was it taken out of other budgets?

MR. SILVA:

Not that I am aware of.

SABRA SMITH-NEWBY (City of Las Vegas):

We have an amendment to section 2 ([Exhibit J](#)) of S.B. 203. Section 2 currently has language stating "other contagious disease." Our amendment simply links the definition to NRS 617.481(5)(a). That statute specifies tuberculosis, HIV and hepatitis A, B and C.

CHAIR RAGGIO:

Mr. Dreher, are you aware of this amendment?

MR. DREHER:

No, I am not. We do not have a problem with it. Senate Bill 203 refers specifically to subsections 2 and 3 of NRS 616C.052 which defines the contagious diseases.

JIM FRY (Deputy Risk Manager, Risk Management Division, Department of Administration):

There is a fiscal note attached to the bill. The cost in FY 2006 will be \$100,000 and in FY 2007 will cost \$150,000. Risk Management is neutral on this bill. We have been working with the game wardens by authorizing their physicals and monitoring them over the last 20 years. They are probably the healthiest group we have in the state. There has never been an unfit for duty determination for this class of individuals. All the other peace officers in Nevada have the hepatitis coverage. Adding the game wardens to this coverage levels the playing field.

CHAIR RAGGIO:

We have the fiscal note to which you are referring. We also have one from the Department of Wildlife indicating about \$5,000 in cost. Staff has indicated that fiscal notes have been solicited from the DOC, Department of Motor Vehicles, Department of Wildlife, Investigative Division, Parole and Probation, Lake's Crossing, State Fire Marshall and Nevada Highway Patrol.

We will close the hearing on S.B. 203 and open the hearing on S.B. 312.

SENATE BILL 312: Requires Department of Personnel to increase level of compensation for law enforcement positions in Department of Wildlife. (BDR S-745)

MR. DREHER:

The Peace Officers Research Association supports S.B. 312.

CHAIR RAGGIO:

We have a fiscal note for this bill indicating FY 2006 costs in excess of \$246,000 and in FY 2007 in excess of \$252,000. When we went through the Department of Wildlife budget, the reserve was near zero. How will the Department pay for S.B. 312?

MR. DREHER:

I have provided a copy of Peace Officers Research Association of Nevada ([Exhibit K](#)) with bullet points outlining the duties of game wardens. Effective July 1, 2005, PERS requirements for police/fire will decrease our salary by approximately 1.75 percent based on employer/employee paid retirement.

MR. BUONAMICI:

I urge you to support S.B. 312. [Exhibit H](#) gives a summary of the Department of Wildlife's Bureau of Law Enforcement and includes salary comparisons. There are 31 field game wardens. We are cops in the wilderness. Many times we are a day from backup where we have no radio contact or cell phone coverage. We are confronting armed individuals. We serve arrest warrants, conduct interviews and investigate. We are highway patrol on the water. We are search and rescue on the water and in the wilderness. We have the same requirements as any other police officer under many of the statutes. For example, domestic violence, restraining orders and outstanding warrants all require state peace officers to

take action. We do that. We make several felony arrests each year. A game warden must have a Bachelor of Science degree, undergo a written examination, perform a physical agility test and an oral interview. Those selected undergo a background investigation including a polygraph, psychological testing and financial check. Our officers attend Category I P.O.S.T training and a field training officer program. We send them to U.S. Coast Guard training and boat accident school. That takes up the first year on the job. The second year they are in the field. We also meet the continuing education requirements of P.O.S.T.

We have lost ten officers in the past ten years. With only 31 game wardens, ten is a substantial number. We invest about \$104,000 for the first two-year period. That means we have lost over \$1 million. Then we have to rehire and reinvest another \$1 million. We have lost over \$2 million in ten years and 20 years of professional service. Game wardens are seven times more likely to be assaulted with a knife or a gun than other police officers. Our last recruitment effort was completed about one month ago. We had two viable candidates. We protect about \$821 million in tourism resources. We are asking for a small investment with a large return.

The Field Game Warden Salary Comparison chart in [Exhibit H](#) shows that game wardens are about 8 percent below the average paid at the field level. Supervisors are about 16 percent below average and deputy chief warden is about 27 percent below average. The 10 percent will put our field officers at equity and decrease the gap for others but will not make them equal.

GILBERT A. YANUCK (Vice-Chairman, Carson City Advisory Board to Manager Wildlife):

I am here in support of S.B. 312. I have provided you with a copy of my prepared statement ([Exhibit L](#)).

TERRY R. CRAWFORTH (Director, Department of Wildlife):

I support S.B. 312. Game wardens are expected to accomplish difficult tasks. We have a national crisis in filling positions in the natural resources field. Almost 90 percent of the people working in natural resources are expected to either retire or resign within the next seven years. We have a plan to address that issue and part of that plan is to achieve fair compensation.

CHAIR RAGGIO:

The budget for the Department of Wildlife is funded by fees not General Funds. Your reserve is at \$52,000. The fiscal note with this bill is \$500,000. How will you deal with that?

MR. CRAWFORTH:

The 10-percent increase for game wardens is in the Governor's budget.

MR. TURNIPSEED:

The Nevada Game Warden Association supports S.B. 312. This association was formed in the early 1970s by game wardens around the state. We are not a union. We are an association concerned with attracting quality people to the wildlife enforcement field and conserving Nevada's wildlife resources. Lately we are concerned with recruitment and retention.

BILL BRADLEY (Member, Board of Wildlife Commissioners, Department of Wildlife):

I am here, reluctantly, in opposition to S.B. 312. I hope many of you will recall two years ago when myself and several other commissioners were in front of this Committee indicating our deep concern over the financial position of this agency. We were given a fee increase at that time. I asked if we could get something to ensure future funding to cover increasing costs. I was told, "No, come back in FY 2005." This agency is in serious financial trouble. Recruiting for a warden or chief of game is difficult. The wardens and chief do a great job. We are asking for fee increases on one bureau, leaving seven or eight other bureaus without fee increases. That is not a good thing for morale. We have other Committees telling us to cut costs. This agency should be supported by General Funds. Trying to piecemeal salary increases is not good for the agency.

SENATOR CEGAVSKE:

Did anyone come to the Board to let you know of this request? The increase is in the Governor's budget.

MR. BRADLEY:

Yes, the increase is in the budget. Historically, the Board of Wildlife Commissioners is asked to approve the budget. We have a legislative committee set up to review potential legislation. Because this bill was brought by a warden through Senator Dennis Nolan, it was never presented to our Commission for review. Our budget, as I recall, asked for salary increases across the board. What came out in the Governor's budget was an increase for wardens only. This agency needs a lot of attention. We are being asked to do a tremendous amount with no resources.

SENATOR COFFIN:

What fees could be raised to support an increase in the reserve?

MR. BRADLEY:

The fundamental problem is that some think fees are low. Compare an annual hunting/fishing license to a round of golf. We are finding that the sportsmen who fund this agency are at the breaking point. They do not want to pay more. This agency provides so much recreation and opportunity to all Nevadans, we think General Fund money is essential. To watch the Commission on Tourism brag about the outdoor recreation experience in Nevada, and yet our General Fund allocation is about \$200,000, is not fair to the agency. We must find a way to appropriately fund this agency so we get the bang for the buck and it is not put on the backs of the sportsmen. We asked to have a consumer price index (CPI) attached to our hunting license as do many other states. That way, year to year, we would not have to be here asking for a \$2 per license increase. It would increase automatically.

SENATOR COFFIN:

I have not received complaints about the cost of hunting or fishing licenses.

MR. BRADLEY:

When we sought the approval of the sportsmen, we received unanimous approval for the CPI increase two years ago.

CHAIR RAGGIO:

Not all employees of the Department of Wildlife are included in this bill, only the game wardens.

MR. BRADLEY:

Not to belabor the game wardens, but they have an early retirement. The majority of the agency is being asked to cut expenditures while the game wardens are requesting a salary increase. It does not seem fair.

SENATOR TITUS:

We talk about the other side of Nevada. We talk about rural Nevada needing economic development. We talk about getting tourists to the remote beautiful parts of the state. Yet we do not fund this agency. We let our state parks get into terrible shape. If we are serious, we ought to do a better job.

MR. BRADLEY:

It is essential to preserve the integrity of this agency.

CHAIR RAGGIO:

We will close the hearing on S.B. 312. We will open the hearing on S.B. 479.

SENATE BILL 479: Makes various changes to provisions governing Public Employees' Benefits Program. (BDR 23-609)

P. FORREST THORNE (Executive Officer, Board of the Public Employees' Benefits Program):

There are three areas covered in this bill. The first is the removal of an inherent penalty for eligibility to participate in the program for those employees who begin work in January or February. The bill changes the terminology from 90 days of full-time employment to three months of full-time employment. Since February has 28 days, it means a one-month wait for coverage to start for those hired in January and February. This section of the bill would be retroactive to January 1, 2005.

The second area of change is when a retiree has the option of returning to the program after leaving employment. This clarifies that the employee must notify Public Employees' Benefits Program (PEBP) no later than January 31st of an even-numbered year. The effective date of coverage would be March 1 of the year of notice.

The third item covered in this bill affects individuals within a group leaving PEBP. Individuals would not be able to return to PEBP. This will limit the exposure to the program for a group leaving and reduce the impact on the plan.

CHAIR RAGGIO:

What groups have indicated a desire to leave the program?

MR. THORNE:

The only group that has applied is the Teamsters representing the peace officer's association.

SENATOR BEERS:

Is there a group size below which the risk assessment varies widely? I would think with a small group the exposure to the rest of the plan from the departing group is potentially stronger than a large group leaving the plan.

MR. THORNE:

The larger the group the greater the impact on the remaining members.

SENATOR BEERS:

I thought the larger the group the more statistical norms would apply. That is statistic norms we use and look to in determining rates.

MR. THORNE:

The predictive modeling that the Board adopted looks at the claims history of the group. It looks at the health status, at a point in time, and projects the health claims for the next year. That is what we use in establishing our rates. We use the same methodology in looking at any group potentially leaving.

SENATOR BEERS:

Could you develop a list of each subgroup of 200 to 500 employees and determine whether they are paying above or below their actual rate based on predictive modeling? The PEBP ends up with one rate for all departments.

MR. THORNE:

Any subgroup could be above or below the average rate for the group.

SENATOR BEERS:

Do you look at that in the small groups that are allowed to break off?

MR. THORNE:

That is correct.

SENATOR BEERS:

Presumably, the reason we have not allowed this group to break off is because they are healthier than normal.

MR. THORNE:

Yes. It is a younger, healthier group. The impact on the program is relatively small. There is a percentage in the statute we look at to see how a group leaving affects the remaining participants. The Board used a projected surplus for the current plan year to do a onetime reduction in the contributions that employees and retirees were making. The impact of the group leaving compared to that reduced amount exceeded the 5-percent threshold.

SENATOR BEERS:

Has the Board looked at age banding the state's plan?

MR. THORNE:

Not to my knowledge. An employer's group insurance does not generally get into age banding. You see that in life insurance. It would be considered a form of age discrimination.

SENATOR BEERS:

I believe it is legal and practiced in the private sector. There are legitimate reasons to use age banding.

MR. THORNE:

We have taken the opposite tact in trying to include the broadest spectrum of employees and retirees in the group to provide the greatest benefit to all of those covered by the program. We have commingling of claims experience across actives, non-Medicare retirees and Medicare retirees to come up with a single-rate structure.

SENATOR BEERS:

What does Medicare and non-Medicare retirees mean?

MR. THORNE:

It is a requirement by statute to commingle claims experience of active members and retirees. We have a single rate structure for July 1, 2005. We are covering the Medicare Part B as a covered expense under the plan. Whether you are an active, a non-Medicare retiree or a Medicare retiree, the maximum benefit you receive is the same and you pay the same rate.

SENATOR BEERS:

The Medicare retiree has a primary insurance ahead of the state insurance?

MR. THORNE:

That is correct.

We are in the process of calculating the Governmental Accounting Standards Board (GASB) liability. The commingling of experience results in younger, active members subsidizing the Medicare/non-Medicare retirees who have a higher medical claims expense. By commingling all actives and retirees, the Medicare Part A hospitalization coverage results in the retirees subsidizing the younger actives and retirees. This helps level the costs with a two-way subsidization as part of the commingling process.

GARY H. WOLFF (Teamsters Union Local 14):

I am here in opposition to S.B. 479 and to offer an amendment. I am going to read from Proposed Amendment ([Exhibit M](#)). I have provided you with copies of a letter dated April 11, 2005, to Senator Raggio with the proposed amendment attached ([Exhibit N](#)) and additional information attached to a letter dated February 26, 2005, to Senator Beers and Assemblywoman McClain ([Exhibit O](#)).

Teamsters 14 is the only group in the state to apply to opt out of PEBP. Teamsters 14 trust fund can offer a better health plan at a lower cost than PEBP. Two of the reasons officers are leaving the state are salary and benefits. We can insure an entire family for \$648 each month with full medical, dental, vision and a lower cost for prescription drugs. The millions of dollars lost in training costs could have been saved had they been allowed to opt out of PEBP. We have Department of Transportation employees who are older, we are not cherry picking. The PEBP consultant Aon Consulting in [Exhibit O](#) said we could not impact PEBP beyond 1 percent. A year later, there is an entirely different scenario to show we exceed the 5-percent formula. Please consider this proposed amendment.

CHAIR RAGGIO:

The existing law does not require the Board to allow the opt out. The requirement is that the departure cannot cause more than a 5-percent increase in contributions. The Board may consider the cumulative impact of groups proposing to leave. Your proposed amendment would make the approval of an opt out mandatory.

MR. WOLFF:

Yes, the amendment makes it mandatory to allow opt out. The first time we applied to opt out, we met all the criteria. The Board's attitude was if the opt out would cost \$3 for each member, they would not approve it. The intent of the bill is not being followed. There is no judicial review of the Board's decision.

CHAIR RAGGIO:

Has this amendment been submitted to the Board?

MR. WOLFF:

I gave it to Mr. Thorne today.

CHAIR RAGGIO:

Does the Board have a position on this amendment?

MR. THORNE:

No, the Board has not had a chance to review the amendment. The regulations and statute the Board followed in making the two determinations to deny the opt out of PEBP were approved by the Legislative Commission. There was a lawsuit by the Teamsters to force the Board to adopt regulations. When the lawsuit was filed, we were in discussions and were in the process of drafting regulations and as a consequence the lawsuit failed. The Board and staff are aware of what potential impacts may occur with an opt out which is why the statute is discretionary.

SENATOR COFFIN:

Does the Board anticipate a large number of past participants trying to reenter PEBP?

MR. THORNE:

This is an attempt to limit potential impact on the program. There is a concern on the part of the Board of utilizing the benefits to the maximum in one program and then returning to PEBP to use a second maximum.

SENATOR COFFIN:

Are you saying if a group leaves PEBP, the new plan may request that a member return to PEBP if the member is adversely affecting the new plan?

MR. THORNE:

There may be an incentive for retirees to return to PEBP.

MR. WOLFF:

A few years ago, we had St. Mary's Health Maintenance Organization (HMO). Over 1,000 employees enrolled in that program. St. Mary's dumped the state. If this provision had been in effect, you would have 1,000 employees without insurance today.

CHAIR RAGGIO:

We will close the hearing on S.B. 479 and open the hearing on S.B. 484.

SENATE BILL 484: Revises provisions governing Public Employees' Benefits Program. (BDR 23-1364)

MICHAEL D. HILLERBY (Chief of Staff, Office of the Governor):

I am here to support S.B. 484 and tell you why the Governor has proposed it. There are four groups covered under PEBP: state active employees, state retirees, non-state active employees and non-state retirees. This bill only deals with state active employees and state retirees. Each biennium you establish rates for the active state employee pool as well as retirees. We have two different groups of retirees, those who retired before January 1, 1994, and those who retired after that date.

The pre-1994 retirees receive a 100-percent subsidy for their health insurance. I have provided you with a packet of highlights on the Governor's Retired Employee Benefits Proposal ([Exhibit P](#)) which shows the base assumptions for our calculations and two pages from the PEBP retiree bulletin that shows the different plans and different rates for state retirees.

The post-1994 retirees' subsidy is based on years of service. It takes five years to vest in the plan which begins with a 25-percent subsidy. At 15 years, a retiree receives 100 percent of the subsidy. At 20 years or more, you receive a subsidy of 137.5 percent. The FY 2005 composite subsidy is \$316.26. To confuse things further, no one gets that subsidy because it depends on which plan you belong to which is why I have included the last two pages of [Exhibit P](#).

Senate Bill 484 clarifies the exact rates paid for the retirees and has a provision referring back to A.B. No. 286 of the 72nd Session. This bill states that a person who retires on or after July 1, 1994, was hired before July 1, 2006, and has five years of state service, will receive the subsidy as stated unless there is a break in state service. New employees, hired after July 1, 2006, would not be entitled to any payment of the subsidy.

We have known for some time that the liability for the retiree portion of this plan is growing. The Governor has been looking at this since 1999. We asked Mr. Thorne and his staff to look at this proposal, make some basic assumptions and asked what we would save. The savings and assumptions are outlined in [Exhibit P](#). Over the next 30 years we would save about half a billion dollars. The inflation model could be off by a great deal. The actuaries are predicting lower and lower health-care inflation rates. If our assumptions are off 50 percent, we still save \$250,000,000. We are talking about saving a substantial amount of money. This plan impacts employees hired after July 1, 2006. It would have no impact on our current retirees. It would impact current employees only if they have a break in state service after July 1, 2006.

We have asked cities and counties what they are doing with retiree health care. Nye County is the only county in the state that fully funds its retirees. Three others provide some benefit. Essentially no one in the private sector offers this benefit.

CHAIR RAGGIO:

Would coverage be available if the retiree is willing to pay for it?

MR. HILLERBY:

Employees would be guaranteed access to our health plan at the group rate. The larger that group gets, the better the rate ought to be.

CHAIR RAGGIO:

Did you say none of the cities or counties, except Nye County, provide health care benefits to retirees?

MR. HILLERBY:

Yes, but there are others in the audience who may have more information.

CHAIR RAGGIO:

What about the non-state retirees covered under PEBP.

MR. HILLERBY:

Assembly Bill No. 286 of the 72nd Session required local governments who had retirees in PEBP to pay the same amount for their retirees that the state pays for its retirees. If S.B. 484 passes, the state would no longer be paying the health care subsidy, therefore the local government would also not be required to make that contribution on behalf of their retirees.

The GASB is requiring public entities do what private employers have had to do; that is, account for the unfunded liability of existing retirees and projected liability for current employees. That number is between \$1.7 billion and \$4.4 billion. That could impact our bond rating, bond capacity and other state finances.

We talked with the Department of Personnel and found that this is not a benefit a prospective employee asks about. We do not think this change will affect recruitment.

SENATOR TITUS:

You said the savings would be \$500,000,000 over 30 years. You do not talk about the cost. We know Nevada is one of the worst states in the country for the number of people who are uninsured. This would create another class of people who are uninsured because we know health care costs are not going down. How will people afford to buy health insurance? You should calculate the cost to the state for people who do not have health insurance.

MR. HILLERBY:

Any time we have uninsured people, there is a cost to the state. The state has paid Medicare premiums since 1987 so employees will be eligible for Medicare. State employees have a deferred compensation plan they can use to save for health care and retirement. Each of us has to take responsibility for making decisions. A health plan group rate will be available to retirees.

SENATOR COFFIN:

To say we will save money is not a great accomplishment. We could cut any benefit and save money. Health plans are an incentive to work for the state. The middle-aged prospective employee looking for employment for the next 10 to 15 years is looking at retiree benefits. We should come up with a bare-bones plan for health care or an HMO administered by the medical school

or Medicaid. We should do more thinking about this rather than just doing away with it to save money.

MR. HILLERBY:

The Governor did not take this bill lightly. We looked at all the implications. Most of the people we talked to said they did not know they had the retiree health benefit. If it were common to offer a subsidized health benefit in retirement, it would put us at a competitive disadvantage. But, no one is offering it. It is unheard of in the private sector and is disappearing in the public sector. Washoe County negotiated that benefit away for new employees seven or eight years ago. Matching deferred compensation might be worth talking about.

SENATOR COFFIN:

I would like to have some factual information on who, in the private sector, is dropping this benefit.

CHAIR BEERS:

There have been a number of articles in the *Wall Street Journal*, *Business Week*, *Time* and *Newsweek* describing how these benefits have been eliminated in the private sector. I am curious about other states' retiree benefits or if the benefits are subsidized.

CHAIR RAGGIO:

This is a nonexempt bill which would have to be processed this week.

SENATOR TITUS:

Are you saying that S.B. 484 would result in the reduction of rates for current employees?

MR. HILLERBY:

No, I am not. In addition to the current expense, we must account for the plan's unfunded liability.

CHAIR BEERS:

Currently we fund the retiree premium subsidy by a payroll assessment.

MR. HILLERBY:

The retiree's composite subsidy is \$316.26 each month and is billed to the agency.

CHAIR RAGGIO:

For example, if that is 1 percent of that agency's payroll, then that is 1 percent the state would have available to give employees a raise. As time goes by and more employees retire, I suspect that subsidy will increase. It will reach a point where we are no longer adding new recipients to that benefit, then the assessment will go back down. That would take 50 or 60 years.

SENATOR TITUS:

Is there a guarantee that this saved money would go to increase salaries of the people paying the retiree subsidy?

MR. HILLERBY:

That would be a decision for a future legislature. The second page of [Exhibit P](#) shows how long it will take to accumulate savings because the bill applies to new employees.

SENATOR TITUS:

No one predicted the surplus we have.

MR. HILLERBY:

Recording the current liability and its impact on the state's finances is still a large issue.

ANDREW LIST (Nevada Association of Counties):

We are neutral on S.B. 484. I have provided you with the Estimated Fiscal Impact of A.B. No. 286 of the 72nd Session on County Governments ([Exhibit Q](#)). The amount of money that needs to be set aside in the future for retirees is booked as a liability under GASB regulations. It could affect the counties' bond rating. When the counties saw A.B. No. 286 of the 72nd Session, they did not know how many retirees would take advantage of the benefit. The decision to offer postretirement health care is a county and local government issue. If the counties want to offer it, they should be able to. There are five counties in Nevada that do offer some health care subsidy: Elko is \$60 a month, Eureka is \$150 a month, Carson City is \$6 per year of service with a minimum of ten years, Washoe was between 50 percent and 100 percent of the benefit, and Nye provides a subsidy.

CHRISTINA DUGAN (Las Vegas Chamber of Commerce):

We support S.B. 484. We have 6,800 members, most with 20 or fewer employees. They struggle to have health insurance for their current employees much less provide any subsidized benefits for retirees. We encourage the Committee to bring the public sector in line with the private sector. Senator Coffin may be interested in the Kaiser Family Foundation and Hewitt Research study completed in December 2004 and another by the Employee Benefits Research Institute. General Motors (GM) is an example of a large company having a significant problem related to their retiree benefits. General Motors has one active employee for every 2.5 retirees. General Motors is spending about \$5 billion annually on total health care costs. In 2002, the Agency for Healthcare Research and Quality found only 13 percent of private sector employers offer health care retirement benefits. The Kaiser study found that of employers with 1,000 or more employees, 13 percent of those companies decided to end their retiree healthcare benefits in 2003. There is a trend for larger companies to reduce health care benefits for retirees. We believe the tax savings will be beneficial to all taxpayers.

DAN MUSGROVE (Clark County):

We support S.B. 484. Last year, Clark County had about 33 retirees who participated in the health care benefits. It cost the County \$100,000. The next fiscal year it will cost \$300,000. I have provided the Committee with a copy of Clark County 2005 Legislative Session Proposed Amendment ([Exhibit R](#)). The amendment does two things. It addresses the break in service which is becoming an increasing problem. Fifty-eight percent of our retirees receiving PEBP did not retire directly from Clark County. In other words, over one-half of the retirees leave government service, work in the private sector where this benefit is not available, but retire through PERS and get the PEBP subsidy. This

is a taxpayer subsidy. They are increasingly concerned that we provide a benefit they do not have.

CHAIR RAGGIO:
Does this amendment apply to all local governments?

MR. MUSGROVE:
Yes, it does.

SENATOR TITUS:
I agree that if you leave government service, you should not be entitled to the health care benefit. Can we address that break in service immediately for people already in the program?

MR. MUSGROVE:
Our employee unions have never asked for retiree health benefits during collective bargaining. When the state enacted A.B. No. 286 of the 72nd Session, it put us into unfamiliar territory that we have not dealt with before.

SENATOR TITUS:
Assembly Bill No. 286 of the 72nd Session came about because the state was picking up the cost of your employees.

MR. MUSGROVE:
It may have had something to do with the break in service issue. At some point in time they were county employees, then they were state employees, then they retire and are able to get the health care benefit. This is not something Clark County had ever intended to provide. Clark County is trying to curb some of the escalating benefits. For Clark County to now have to include retiree benefits is something the public would have a problem with.

SENATOR TITUS:
You are already doing it as of last session.

MR. MUSGROVE:
Only for those going back into the state system. It is still cheaper right now for a good number of employees to pay and stay under the Clark County retiree system. Over time that may change.

SENATOR TITUS:
Is it cheaper for a retiree to get insurance through the county system than for the state retiree with a subsidy?

MR. MUSGROVE:
There has been talk of commingling all the health insurance benefits, but with all the different situations it would be problematic. There is an interim study looking at the issue.

MR. HILLERBY:
A good part of what brought about A.B. No. 286 of the 72nd Session was we do not commingle the experience of state and non-state employees. We allow non-state entities, locals, cities, counties, school districts and other groups to come into the plan. But, we do not commingle that experience. There is a relatively small group of non-state retirees. They had a bad year about three

years ago. Their monthly premiums went to over \$700. The existing regulations require a minimum of five years in each jurisdiction so we can figure out who owes the state. To date, some jurisdictions have refused to pay on behalf of their retirees.

CAROLE VILARDO (Nevada Taxpayers Association):

We support S.B. 484. This bill address future hires. We have COBRA and mini COBRA which provides some health protection. There is no individual who leaves private sector employment with the ability to go on a group plan at low rates. Generally, a health plan is \$700 to \$800 a month for an individual. Medicare is available. We have to do something to curb costs.

MS. SMITH-NEWBY:

I have provided you with Proposed Amendment to S.B. 484 ([Exhibit S](#)) to add any county, school district, municipal corporation, political subdivision, public corporation or other local governmental agency of the state. We support the bill in general, but our concern is it does not cover local governments. We have a concern about individuals working for the state government a certain period of time, then finishing their careers at a local government.

CHAIR RAGGIO:

What is the difference between your amendment and Mr. Musgrove's.

MS. SMITH-NEWBY:

Our amendment is probably more limited than Mr. Musgrove's. I have not reviewed his amendment.

CHAIR RAGGIO:

Can you and Mr. Musgrove compare amendments and let the Committee know if you are in agreement?

MS. SMITH-NEWBY:

Yes, we will.

ANNE K. LORING (Washoe County School District):

We are neutral on this bill, but have the same concerns expressed by the City of Las Vegas and Clark County. The impact on the Distributive School Account is well known to you. We would appreciate it if the provisions of S.B. 484 would apply to school districts.

ROSE E. MCKINNEY-JAMES (Clark County School District):

We are concerned with S.B. 484 as it relates to A.B. No. 286 of the 72nd Session. School districts should be included in S.B. 484. I would like to work with Ms. Smith-Newby and Mr. Musgrove on the amendment language.

CHAIR RAGGIO:

The amendment says local governments. Does that include school districts? Please get together on that language with Mr. Hillerby and the others.

MARTIN BIBB (Retired Public Employees of Nevada):

The Retired Public Employees of Nevada (RPEN) oppose S.B. 484. The members of RPEN support a program of affordable health care for the future state workforce. We have been concerned with health care relative to retired public employees since inception of RPEN in the 1970s. I have provided you with a

copy of my testimony ([Exhibit T](#)) with additional details. No one knows what health care will look like 30 years from now. It seems premature to make this change without further study.

DANNY N. COYLE (American Federation of State, County and Municipal Employees, Retiree Chapter Local 4041):

I am also representing myself as a state retiree, a father of a state employee and a grandfather of a state employee. The American Federation of State, County and Municipal Employees adamantly opposes S.B. 484, section 2, paragraph 3, lines 17 through 20 on page 4. We constantly hear testimony by state administrators that they find it difficult to recruit and hire competent employees because they cannot compete with the salaries and benefits offered by local government and municipal subdivisions. Local governments, because of collective bargaining, negotiate health benefits for both active and retired employees. I read the Carson City Fire Department is currently negotiating benefits for their retirees. If the state eliminates contributions and subsidies for health premiums for future employees hired after July 1, 2006, top quality personnel will apply for positions in local governments and other job markets that offer health benefits upon retirement. The administration assures those of us currently retired will not be affected and suggests taking advantage of deferred compensation to purchase health insurance. This approach is similar to the bait and switch tactics the federal administration is using to convince current beneficiaries of its plan to save social security. The facts are that our current benefits are not intact and are in jeopardy. The proposed PEBP budget reduces subsidies and raises contributions. There are also some who suggest because private industry profits are suffering, due to health insurance costs, this state's government should follow suit. This cold-hearted approach and infatuation with the bottom line does not wash with our members.

We also have a problem with the bill's formula providing subsidies to retirees based on years of service. Our position is to leave the method for allocating agency and employer subsidies unchanged.

JAMES T. RICHARDSON (Nevada Faculty Alliance):

I am not so much opposed to this bill as concerned about it. I have reservations about implementing a dramatic policy change in a short time period. I am aware of the GASB implications and how it may affect the ability to sell bonds to construct buildings on our campuses. I appreciate that the Governor has not recommended the bill be retroactive and that his representatives are willing to talk about other options that might help relieve the problem retirees face. We have retirees who have worked decades. We must come up with some alternatives to help them such as matching the deferred compensation as Mr. Hillerby mentioned. I also have concerns about recruitment and retention. We have a special case with colleges and universities. I have placed a call to the American Association of University Professors to see if they have any details on the number of colleges that offer retiree health plans. This bill will affect our ability to recruit mid-career people if retiree health care benefits are available elsewhere. I know that some institutions cover retiree health care. The new Nevada State College president retired in Connecticut because health care for retirees there is fully paid. I urge you to make this the subject of an interim study so all stakeholders can examine the alternatives. The bill you passed last session, A.B. No. 286 of the 72nd Session, to force local governments to pay for their retirees, was a good policy. I urge you not to undo that policy change.

MR. DREHER:

We ask you to oppose S.B. 484. There are a number of local government agencies in this state that have postretirement medical coverage. The Reno Police Department, City of Sparks, Washoe County and the City of Reno offer postretirement medical coverage for employees. I finished negotiating the Washoe County Sheriff's Deputies Association contract several months ago. They used A.B. No. 286 of the 72nd Session as leverage to keep their retirees in the Washoe County self-insurance system. The impact of this bill on taxpayers is enormous. The average PERS recipient receives \$25,000 a year. Deducting health premiums of \$6,000 annually leaves \$19,000 for an employee to live on before taxes. Who is going to pay health coverage costs for retirees who have not reached Medicare age? Law enforcement can retire at age 50; other employees can retire with 30 years of service. Taxpayers pay for indigent health care. The cost of insurance is the cost of doing business for all of you. Postretirement medical coverage is a good recruitment tool and it is available from local governments. I am working on a plan to help state employees keep their insurance benefits. It is an option, but it is not yet ready.

MR. HILLERBY:

The projection PEBPs did to show savings includes a normal mortality rate.

CHAIR RAGGIO:

We will close the hearing on S.B. 484 and open the hearing on S.B. 485.

SENATE BILL 485: Repeals prospective expiration of provisions governing allowances paid to certain retired employees who fill positions for which critical labor shortage exists. (BDR S-1107)

KEITH RHEAULT, PH.D. (Superintendent of Public Instruction, Department of Education):

I am here in support of S.B. 485. I have provided you with a copy of my testimony and attached charts indicating the critical labor shortage areas in the school districts ([Exhibit U](#)).

CHAIR RAGGIO:

Is the major utilization of this bill for the teaching profession?

DR. RHEAULT:

There are about 180 individuals who have utilized this provision; 160 have been school district employees. I provided summaries for school years 2003 and 2004 showing the number of individuals filling positions, [Exhibit U](#). Even though only a small number have taken advantage of this provision, the number of children served is much greater. All the students who have had a licensed teacher, rather than a substitute, appreciate the experience.

CHAIR RAGGIO:

The information presented to the Interim Retirement and Benefits Committee last November indicated a total of 141 retirees worked under this provision as of that time. Of the 141, only 26 had re-retired. Eighty percent of those retirees were school district employees, 6 percent were at the University and Community College System and 9 percent in the state judicial system. Our concern is, if we let the provision sunset, what will happen to the people active in the program?

JOYCE HALDEMAN (Clark County School District):

We support S.B. 245. We hired 51 retired schoolteachers this school year. We still had 44 openings in math, 36 in English, 51 in special education, 10 in science and 12 in bilingual we could not fill.

CHAIR RAGGIO:

Has this program been useful in meeting schools' needs?

MS. HALDEMAN:

It absolutely has. Substitute teachers would have covered the 51 positions filled with retired teachers.

DANA BILYEU (Executive Officer, Public Employees' Retirement Board, Public Employees' Retirement System):

We believe the individuals currently filling critical labor shortage positions have a contract right to remain in those positions. The PERS would, in essence, grandfather current holders of positions of critical labor shortage for the period they remain employed by the employer who designated those positions.

CHAIR RAGGIO:

The teaching positions currently filled are in special qualification areas. There is still a shortage of specially qualified teachers. What do we do about those?

MS. BILYEU:

The Retirement Board has not taken an official position specific to S.B. 485. Staff will, however, recommend the Board oppose the extension of critical labor shortage past its scheduled sunset date of June 30, 2005, due to the cost impact on contribution rates. I have distributed a copy of my prepared testimony ([Exhibit V](#)) which includes a schedule of the PERS contribution rates should S.B. 485 become effective.

CHAIR RAGGIO:

Is the increased cost included in the fiscal note you submitted on April 6, 2005?

MS. BILYEU:

Yes, it is. The projected cost of \$3,655,272 represents the state's cost associated with the rate change. Employees and employers share equally in the cost of the employer pay contribution plan. The scheduled rate reduction for the regular fund would be divided between the employee and the employer. The employer is scheduled to receive a 0.25 percent payroll reduction. The rate change occurs on the police/fire side also as shown in [Exhibit V](#).

CHAIR RAGGIO:

Why was there not a rate increase last session when we implemented this provision.

MS. BILYEU:

Because of the nature of A.B. No. 555 of the 71st Session, the actuary indicated that since we were in a period of experience review, we did not have experience on which to rate this benefit. We have been in the experience review study period during the last four years.

CHAIR RAGGIO:

With the limited number of participants over this experience review period, it seems strange to have such a large impact. Are the actuaries assuming that more individuals will take advantage of this provision?

Ms. BILYEU:

When determining future use, we looked at the limited use during the experience study and projected an increase of three times the current usage. That would increase the number to about 450 participants.

CHAIR RAGGIO:

Why was that assumption made?

Ms. BILYEU:

The experience review took into consideration the same things that are affecting everyone's ability to recruit and retain. There are labor shortages predicted nationally. There are many baby boomers getting ready to retire. Nevada is one of the fastest growing states and will have urgent needs for public services. The provision will gain in popularity the longer it exists. We took all those things into consideration. The Board weighed the use of the benefit against the cost impact and determined not to seek extension of this benefit.

CHAIR RAGGIO:

Have you provided the Committee with the December 9 report from the Segal Company?

Ms. BILYEU:

That was provided to the Interim Retirement Benefits Committee.

CHAIR RAGGIO:

Did the Segal Company make those assumptions?

Ms. BILYEU:

That is correct. Based upon discussions with the Board and staff, it was determined that even an incremental increase would add cost to the benefits.

CHAIR RAGGIO:

We will close the bill on S.B. 485. We have a request for Committee introduction of BDR S-1421.

BILL DRAFT REQUEST S-1421: Makes appropriation to Office of Veterans' Services for establishment of outreach program for Nevada's women veterans. (Later introduced as [Senate Bill 505](#).)

SENATOR COFFIN MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1421.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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There being no further business to come before the Committee, the meeting is adjourned at 12:36 p.m.

RESPECTFULLY SUBMITTED:

Sandra Small,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____