

**MINUTES OF THE
JOINT SUBCOMMITTEE ON GENERAL GOVERNMENT
OF THE SENATE COMMITTEE ON FINANCE
AND THE ASSEMBLY COMMITTEE ON WAYS AND MEANS**

**Seventy-third Session
May 13, 2005**

The Joint Subcommittee on General Government of the Senate Committee on Finance and the Assembly Committee on Ways and Means, was called to order at 8:10 a.m. on Friday, May 13, 2005. Chair Bob Beers presided 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.

SENATE COMMITTEE MEMBERS PRESENT:

Senator Bob Beers, Chair
Senator Dean A. Rhoads
Senator Bob Coffin

ASSEMBLY COMMITTEE MEMBERS PRESENT:

Ms. Kathy A. McClain, Chair
Mr. Morse Arberry Jr.
Mr. Lynn C. Hettrick
Mr. Joseph M. Hogan
Ms. Ellen M. Koivisto
Mr. Bob Seale

STAFF MEMBERS PRESENT:

Steve J. Abba, Principal Deputy fiscal Analyst
Bob Atkinson, Senior Program Analyst
Laura Freed, Program Analyst
Joyce Garrett, Program Analyst
Gary L. Ghiggeri, Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Russell J. Guindon, Deputy Fiscal Analyst
Mark W. Stevens, Assembly Fiscal Analyst
Lora Nay, Committee Secretary

OTHERS PRESENT:

P. Forrest Thorne, Executive Officer, Board of the Public Employees' Benefits Program
Mary C. Keating, Administrator, Administrative Services Division, Department of Administration

CHAIR BEERS:

The first agenda item is the Public Employees' Benefits Program (PEBP). Mr. Thorne, have you seen any of the amendments to Senate Bill (S.B.) 484? They have not been considered in Committee.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 2

SPECIAL PURPOSE AGENCIES

Public Employees Benefits Program — Budget Page PEBP-1 (Volume III)
Budget Account 625-1338

SENATE BILL 484: Revises provisions governing programs providing health insurance coverage to public personnel. (BDR 23-1364)

P. Forrest Thorne (Executive Officer, Board of the Public Employees' Benefits Program):
Yes, I have seen the amendments.

CHAIR BEERS:
Are there legal issues concerning potential conflicts between state and federal law?

MR. THORNE:
There may be a problem in setting up the special account in the Fund to Stabilize Operation of State Government (rainy day fund). We are still not sure whether or not we are in compliance.

CHAIR BEERS:
Is it accurate the account would not be counted as part of your program's reserves even though we are explicitly saying that would be the case?

MR. THORNE:
Correct.

CHAIR BEERS:
Do you have any new numbers on the Medicare-eligible retirees' rates? Have any of the previous numbers changed?

MR. THORNE:
There has been no change.

CHAIR BEERS:
Did the Assembly Committee on Ways and Means request a bill draft (BDR)?

MARK W. STEVENS (Assembly Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
We did not. We are meeting this afternoon and will probably talk about PEBP budget closings. Mr. Thorne should give us an idea if there may be any problems to be considered at the full committee level. I will then request the Committee to authorize a BDR.

E-525 Working Environment and Wage — Page PEBP-6

BOB ATKINSON (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):
At our last meeting, this Committee approved a request for a BDR to segregate Medicare-eligible retirees. The Committee directed PEBP to calculate the ultimate cost of their program for fiscal year (FY) 2005-2006 by building the

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 3

rate structure out of the reserves and in FY 2006-2007 by building the entire rate structure with Medicare retirees segregated out. I am using the word segregated instead of not commingled, but the meaning is the same.

The Subcommittee also requested an alternative proposal for the use of the savings as recommended in the *Executive Budget* over what is included in the budget amendment. In addition, PEBP was directed to build those rates so that the ending fund balances at the end of the upcoming biennium would be the same as those submitted in the original *Executive Budget* of \$23.9 million.

The Subcommittee may wish to consider the alternative proposal, on page 3 of [Exhibit C](#), to use 80 percent of the budget amendment for the benefit of the state through reduced contributions and utilize the remaining 20 percent for some benefit to the employee. It is hopeful that approval of the state contribution rates would result today. The amount of the base and the retiree subsidy could both be put in a bill with an explanation of what commingling really is.

Another consideration is coordinating the \$42,061 purchase of video conferencing equipment, as described in decision module E-525 on page 4 of [Exhibit C](#), to be compatible with the purchase of other similar equipment in order to take advantage of any discounts that may be available.

Those are the items you would need to decide upon in order to close the budget. The rest of the budget items should be closed as recommended by the Governor.

MR. THORNE:

The bill defining not commingling or segregating would have to be separate from the bill that sets the subsidy. The subsidy bill is session law and we would need to change the *Nevada Revised Statutes* (NRS).

MR. STEVENS:

The setting of the monthly premium amount is session law; but both issues could be accommodated in one bill. We could amend NRS to set up the monthly subsidy and also define commingling.

MR. THORNE:

Could we have just one piece of legislation concerning the amount of the subsidy for the biennium?

MR. STEVENS:

The required change in NRS would be contained in a separate section, but everything could be in the same bill.

ADMINISTRATION

Information Technology Projects — Budget Page-ADMINISTRATION-34
(Volume I)
Budget Account 101-1325

CHAIR BEERS:

Does anyone disagree with putting the video conferencing system into budget account (B/A) 1325 as we have done with other such projects with the hope that we would have consistency among the different agencies' equipment? Some day we will have a statewide-compatible video-conferencing system. Are you proposing a separate motion concerning the rate structures?

MR. STEVENS:

First we need to hear the PEBP rates.

MR. THORNE:

There are two different issues. The actual rates and the contributions by the Medicare retirees have not changed. In recalculating the commingling effects on our budget, by using reserves in FY 2006 for the Medicare revenue shortfall, we maintained the ending reserves as per the original budget submission. The cost of the refund is \$7.3 million. We eliminated the Part B reimbursement because that would just be trading dollars. Both Part A and Part B are required to receive Medicare rates subject to the passage of the change in NRS.

To pay for the refund, in FY 2006 the state active employees' contribution will increase from \$481.19 to \$506.41. We maintained the rate to the state retiree contribution.

MR. ATKINSON:

The increase Mr. Thorne is describing would be an increase relative to the revised rates that were submitted in the budget amendment, not an increase over what was submitted in the original *Executive Budget* and described on page 3 of [Exhibit C](#). The original *Executive Budget* for next year recommended a monthly contribution of \$570.55 for active employees; the budget amendment would decrease that to \$481.19. The effect of the 20-percent refund and the cost of the segregation of the Medicare retirees would then make the monthly rate \$506.42.

MR. THORNE:

The retiree contribution for FY 2006 would remain the same at \$321.27 per month. In FY 2007, the state active employees' subsidy would increase from the amended amount of \$500.20 to \$536.39. There would be a decrease in the FY 2007 retiree base subsidy from \$336.97 to \$294.21. These changes are the effect of undoing the commingling.

When we commingled the Medicare-eligible retirees, we saw an increase in our requested subsidy for retirees and a decrease in the amount of the subsidy for active employees. That was the effect of those savings being spread across to the active employees as well. When we undo that, the reverse occurs. We now have savings strictly in the Medicare-eligible retiree group and the cost of commingling the non-Medicare retirees and the actives increases. We still have the same percentages of aggregate costs as outlined in our budget amendment. That did not change.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 5

CHAIR BEERS:

In the second year of the biennium, there would be approximately a \$20-per-month impact on active employees because of the segregation of the Medicare group. Do you recall a discussion on that?

MR. THORNE:

Yes.

CHAIR BEERS:

Does that mean the employees are going to shoulder 20 percent of that \$20 a month and the employer is shouldering 80 percent?

MR. THORNE:

Essentially, yes.

CHAIR BEERS:

Therefore, the actual increase to the State employee, on average, would be more along the lines of \$4 a month.

MR. THORNE:

Along those lines, yes. As to the overall impact, the cost decrease, due to the elimination of the Part B reimbursement, is approximately \$4.5 million. Without changes to all rates, the revenues will be short between \$3.8 million and \$5 million for FY 2006. The budget has been adjusted to eliminate the revenue shortfall in FY 2007. We will end the biennium with reserves at the original \$43.3 million and PEBP will reduce its surplus in FY 2006 and FY 2007 by approximately \$22.4 million. This onetime dip, reducing the contribution levels for the subsidy, will have to be made up in the next biennium.

CHAIR BEERS:

I will accept a motion to close the PEBP budget account with the changes we agreed upon at our last meeting. We will not commingle the Medicare-eligible retirees and handle the costs in the first year through the reserve and in the second year through employer/employee payments. A budget amendment will be processed to pull 20 percent out to be placed and left in a separate account. We will spend down the reserve with a refund, a rebate or a payment to employees in the July 1 paycheck or as soon as we can thereafter. We are still working on a schedule that would equitably return money, in some rough parody, with differences in payments between a single participant and a single family, and a single with just a spouse. We will move the video-conferencing equipment in decision module E-525 to comply with statewide standards. We will accept all other staff-recommended changes including the makeup of the lost revenue, Mr. Thorne just described, to return to the targeted fund balance by the end of FY 2007. The Assembly Committee on Ways and Means is going to request the introduction of legislation this afternoon.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE BUDGET ACCOUNT 625-1338 BY ACCEPTING THE AGREED UPON CHANGES CONCERNING THE SEGREGATION OF MEDICARE-ELIGIBLE RETIREES; TO CREATE A SEPARATE FUND ACCOUNT AND COMBINE THE VIDEO CONFERENCING EQUIPMENT.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED. (ASSEMBLYMAN ARBERRY WAS ABSENT FOR THE VOTE.)

* * * * *

CHAIR BEERS:

Next is B/A 628-3244 on page 5 of [Exhibit C](#) which we need to consider in tandem with B/A 628-3245 on page 7 of [Exhibit C](#).

Indigent Supplemental Account — Budget Page ADMINISTRATION-51
(Volume I)

Budget Account 628-3244

Indigent Accident Account — Budget Page ADMINISTRATION-53 (Volume I)
Budget Account 628-3245

HEALTH CARE FINANCING AND POLICY

HR, HCF&P, NEVADA MEDICAID, TITLE XIX — Budget Page HCF&P-14
(Volume II)

Budget Account 101-3243

HR, HCF&P, HIFA MEDICAL — Budget Page HCF&P-31 (Volume II)
Budget Account 101-3247

LAURA FREED (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The Subcommittee may recall discussion at the March 11, 2005, budget hearing of a possible change in the usage of the funds in this account. The Governor's recommendation in some of the health care financing and policy budgets was to utilize funds in the supplemental account to match federal funds in order to expand health care coverage to certain groups of people who cannot afford health insurance and who are not eligible for Medicaid or other public programs. Those groups include pregnant women, low-income employees who work for small employers and catastrophic event coverage for many medical situations currently funded through the supplemental and accident accounts.

The Governor's *Executive Budget* recommended financing this expansion with a combination of General funds and the proceeds from the 1-cent property tax levy in this account. Transfer of the property tax, as shown in the Health Insurance Flexibility and Accountability (HIFA) holding accounts (Volume II, HCF&P), was not reflected in this budget. Staff asked for an amendment. The Budget Division submitted an amendment, but the amendment shows a transfer of funds from the accident account rather than from the supplemental account.

Assembly Bill (A.B.) 493 would implement the statutory change necessary to pursue a HIFA waiver. The bill would transfer the 1 cent per \$100 of assessed valuation existing in the supplemental account to the HIFA holding account beginning July 1, 2005. This bill passed out of the Assembly Committee on

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 7

Ways and Means on May 9, 2005. Since the budget amendment proposed a transfer from the accident account, and A.B. 493 proposed a transfer of the same amount from the supplemental account, it seems we have a conflict. Staff recommends budget amendment No. 63 not be accepted by the Subcommittee and staff further recommends this budget be closed as originally recommended by the Governor. If A.B. 493 were to be approved, the Department of Administration would do work programs to facilitate the transfer of funds from whichever of these accounts to the HIFA holding account. Staff seeks authority to make adjustments to revenue once final property tax revenue projections are completed.

ASSEMBLY BILL 493: Requires Department of Human Resources to apply for Medicaid waiver pursuant to Health Insurance Flexibility and Accountability demonstration initiative. (BDR 38-736)

CHAIR MCCLAIN:
Do we have a price tag on A.B. 493?

MR. STEVENS:
It is about \$6 million.

CHAIR BEERS:
The funds in this account are for unreimbursed indigent care to hospitals. We add the grand total from all hospitals and each hospital gets a percentage of that total. Was it contemplated that this program was going to go away?

ASSEMBLYWOMAN KOIVISTO:
No.

CHAIR MCCLAIN:
Part of these funds are used as seed money for matching federal funds. I do not know how much is anticipated to be taken out of this account.

CHAIR BEERS:
That information is in the next account.

CHAIR MCCLAIN:
It is supposed to be this one.

CHAIR BEERS:
No, it is not supposed to be this account, it is the next one. It is an error that they put it in this one.

MS. FREED:
I would just reiterate staff's recommendation which is the same for both the accident account and the supplemental account. Close the budget as originally proposed by the Governor and if the bill comes to pass, the bill can be refined as you see fit. The Department of Administration has expressed their willingness to do work programs to make the funds transfer happen.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 8

CHAIR McCLAIN:

Assembly Bill 493 proposes transferring the money from the indigent supplemental account.

CHAIR BEERS:

The proceeds of both accounts are supposed to go to a new account.

MS. FREED:

Assembly Bill 493 proposes to collapse the supplement account and the accident account together. The supplemental account would continue to exist for the purposes of funds transfer; but, yes, any funds remaining in the HIFA holding account at the end of any fiscal year would be swept back into the combined account.

MARY C. KEATING (Administrator, Administrative Services Division, Department of Administration)

I took money out of the accident account because, in reality, that is the only fund that has any extra money. But A.B. 493 is intended to combine the two accounts so the total will be 2.5 cents not 1 cent or 1.5 cents. The first funding will transfer money into the HIFA account. All remaining funds will be available to pay both the supplement and the indigent accident accounts as they have in the past.

CHAIR BEERS:

Will the ending fund balance projection for the next account be \$30 million? Ultimately the indigent-accident expenses are declining slightly every year.

MS. KEATING:

No, I am not testifying to that. In the current supplemental account, hospitals are paid about 20 cents on the dollar. My office pays those expenses based upon billed charges not on adjusted charges which inflate that number tremendously. We do not normally pay billed charges for any of our programs. In the indigent accident account, we are paying 100 percent on the dollar of the billed charges, but the indigent accident account pays different expenses. It runs trauma centers, it pays doctors and other types of costs. The payments for claims in all of these accounts are about two years behind. In any medical program there is always a lag in everything. When I projected the indigent accident estimates, I took an average because in FY 2004 we only paid \$3 million in claims, but in FY 2003 we paid \$9 million. I took an average and then forecast that average at the rate the PEBP actuary uses for medical claims as I had no other methodology. However, in the supplemental account, I did exactly the same procedure. A portion of the individuals covered in the supplemental account will also be covered in a HIFA waiver, so there is somewhat of an overlap.

If we are able to adjust these bills versus billed charges, there will be some differences. In this program there clearly are assumptions that are not unreasonable, but we have to make assumptions. We also reduced the property tax stream and increased it only by 6 percent based upon the projection you are going to hear when the HIFA budget is heard.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 9

Since we do not have the final answers, when and if all of that is approved, we will do work programs to clean it up.

CHAIR BEERS:

Did the 6-percent projected growth rate and property-tax revenue come from the tail end of the 19- or 20-page spreadsheet that detailed each taxing district authority's impact of the tax cap?

MS. KEATING:

It may have, but that information came to me from the Budget Division.

CHAIR BEERS:

Is that 6 percent only increased revenue on existing property which does not take into consideration any increases in revenue that will come about from newly-developed property which will be coming on tax rolls at their hyperinflated 50 percent over where they were two years ago, at least in Clark County? Therefore, that 6 percent is a conservative estimate. To the extent we have to replace allegedly lost property-tax revenue with General Funds, 6 percent is an extremely unrealistically low-growth figure for property-tax revenue because it does not include new property. You might pass on that information.

MS. KEATING:

I just used the numbers as they were provided to me.

SENATOR COFFIN:

I am not opposed to the suggested modification. It is a policy decision that will come in the proposed bill, but this is a good time to try to understand it. I was around when all of these accounts were created. They were created because rural hospitals were getting stuck and going broke and we had to have hospitals near highways. It was a question of not just pork for the rural areas but rather to protect those people as well as the residents of the large counties who were traveling back and forth. They needed a place to be taken.

Accident claims are usually large claims unless they are fatal and could be a multimillion dollar claim. The first bill was not at all up to the task of paying the bills of today's modern medicine and so we knew we would need reserves. It took awhile to build the reserves because they kept getting depleted by accidents. We knew we needed to build the reserves because of the multimillion dollar accident potential. You could get three or four people in one car, or a busload, and, the nightmare incident would be a busload of foreign students, or something like that happens, with inadequate insurance coverage. We cannot bankrupt our hospitals. We have not nibbled at the large reserve until this year when it became a tempting target.

I am surprised you are two years behind on your payments. That tells me I cannot trust this reserve figure. I want to make sure we really have accurate numbers.

MS. KEATING:

The two year's reserve is not untraditional for this type of program. When those bills are paid, whether the hospital pays the doctor or the individual or entities

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 10

pay, these are just the reimbursements and they take a little longer. It has been my understanding that the indigent accident account has always paid all of those bills. The situation that you envisioned of a carload of foreign students having an accident in a rural area and needing hospitalization; those bills have always been paid. That is why the assessment is at 1.5 cents. Trauma centers, physicians and similar specific types of medical care are more expensive than other types of medicine.

You are correct; the other type of service in the supplemental account has never been funded at 100 percent. It has always been funded at something less because it is not trauma work which is a different type of service. It is my understanding, because there is money in these accounts now, we will catch up and clear this out before we move on to the next phase. If there is a change in statute, it is not intended to leave any service in the cold that is currently being provided.

SENATOR COFFIN:

Once we begin a program, which is pending in A.B. 493, we will not get rid of a program. In fact, they expand. The question is, "How long will all of this money last?"

MS. KEATING:

I have reviewed the projections through year 2012 with the Department of Human Resources. I am not an expert on HIFA coverage nor do I know exactly how it works. While I hate to defer that question, it would be best answered by those individuals at the time of their hearing.

SENATOR COFFIN:

Are you assuming there would be no change in the size of the program proposed in A.B. 493?

MS. KEATING:

I am not certain of all of the things covered in A.B. 493. The issue came up concerning the overlap. We want to ensure the people currently covered in the types of programs that are covered in the supplemental are not excluded. The intent was to pick up the excess funding and match it with General Funds and then match them with federal dollars. This will include a class of Nevada citizens who are not being covered anywhere. It will allow us to enhance and bring in additional federal dollars based upon any existing funding stream. There never was any intent to leave anyone out of this process. There are assumptions in this as with any program. It is going to be fine-tuned in time.

CHAIR BEERS:

The Chair is looking for a motion to close this budget without approving budget amendment No. 63. This budget will be closed as originally recommended by the Governor. Staff will be given the authority to make adjustments to revenue once final property tax revenue projections are completed and A.B. 493 is processed.

ASSEMBLYWOMAN KOIVISTO MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE BUDGET ACCOUNT 628-3244 WITH THE GOVERNOR'S RECOMMENDATIONS; TO NOT APPROVE BUDGET

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 11

AMENDMENT NO. 63; AND GIVE STAFF THE AUTHORITY TO MAKE
TECHNICAL ADJUSTMENTS.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

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

* * * * *

MS. FREED:

Staff recommends closing the Indigent Accident B/A 628-3245 as originally recommended by the Governor. Staff recommends not approving the budget amendment. Staff seeks approval to make adjustments to revenue once the final property-tax revenue projections are known.

CHAIR BEERS:

This is an odd case of the Senate Committee on Finance effectively executing a tax hike. This is a property-tax hike on our citizens. The 1.5 cents was not assessed in 2004 because there was too much money.

This account originated in the 1940s before we invented Medicaid, before we invented mandatory car insurance and before we had more modern and safer vehicles. The expenses have been either one-fourth or one-half the amount of revenue. The Nevada Association of Counties (NACO) got together and convinced the counties not to assess 1.5 cents in FY 2004. It was assessed in 2005. Because of the way the tax cap is constructed, this assessment is now a tax hike that will have to fit inside the tax cap. The base for the tax cap is FY 2004, the year when we did not assess this tax. Therefore, this is, in effect, a tax hike which must be considered before we vote. For that reason, I will be voting no on the motion to pass.

ASSEMBLYMAN HETTRICK:

I agree. There is going to be an impact on some county budgets and it could have impact on the budgets of several of the other counties. It might even impact the Distributive School Account. Readjustments of budgets will be caused because a new tax will be put back into the capping mechanism.

CHAIR BEERS:

The alternative action would be to request a bill draft reducing the amount of this tax from 1.5 to .75 cents per \$100 of assessed valuation for each year of the biennium. Although half the size, it still would be a problem because it would still be a property-tax hike because it was not assessed in FY 2004.

ASSEMBLYMAN SEALE:

When this money is transferred, will it be matched with federal money?

CHAIR BEERS:

Under the proposed A. B. 493, there is a hope that the federal government will accept these funds as worthy of a match. What we are doing is new, so we do not yet know what will be the case.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 12

ASSEMBLYMAN SEALE:
Why do we not know that?

MS. FREED:
As a point of clarification, other states have used HIFA waivers to cover health insurance for pregnant women and the working poor. The part that is the most uncertain is the catastrophic event coverage element of the HIFA waiver.

ASSEMBLYMAN HETTRICK:
If the tax was totally abated and the counties had not been ordered by the state to do so, why do we need a bill to change the .75 cents? Can we direct that tax be levied at .75 cents? If there is going to be a match, it should be 50/50.

CHAIR BEERS:
We can try it.

ASSEMBLYMAN HETTRICK:
The tax was not abated by a bill; it was abated by a decision. Therefore, why should a reduction in the amount require a bill?

CHAIR McCLAIN:
You are talking about 1.5 cents as part of the tax cap. I do not think any of the counties are that close to the cap.

CHAIR BEERS:
This is the cap we just imposed with our legislation, this session, the 3 percent from A.B. 489 owner-occupied property and the 8-percent non-owner-occupied property.

ASSEMBLY BILL 489: Provides for partial abatement of ad valorem taxes imposed on property. (BDR 32-1383)

CHAIR McCLAIN:
I do not understand why you want to remove the 1.5-cent assessment.

SENATOR COFFIN:
Is there more than one way to phrase this assessment? Calling it a tax increase is one description. Though it raises a tax rate, it is not necessarily the tax bill received by a home owner or property owner because it is still capped at the percentage point of the increase. It might change a rate, as these rates are going to change a lot, but it may not change the price of the tax being paid.

CHAIR BEERS:
Where the total tax bill is capped, this would have a small but proportional decrease in the proceeds to all of the other different components of everyone's property tax bill.

SENATOR COFFIN:
It does not change the plain fact that the cap still stands.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 13

CHAIR BEERS:

The home owner's payment will still be capped, but the amount allocated to each of the different types of flows that come off of that property tax bill will be reduced.

SENATOR COFFIN:

It gets absorbed somewhere. Theoretically, you can still change the rate for the county but not change the tax in the bill. That was the subtle, but critical, difference in our tax bill.

SENATOR BEERS:

If you add in a rate, then you are going to decrease the proceeds to all the other components of the property tax bill. If you reduce a rate, you are going to increase the proceeds, assuming your county is at that cap.

SENATOR COFFIN:

I would not necessarily phrase it as a tax increase.

CHAIR BEERS:

Would you prefer that it decreases proceeds to our schools in favor of this program?

SENATOR COFFIN:

I am not so sure. It might be used for something else.

CHAIR MCCLAIN:

I agree with Senator Coffin. This is not a tax increase to home owners because they are already capped.

CHAIR BEERS:

Unless they are in a county that has not hit that 3-percent cap; remember that two-thirds or three-fourths of taxpayers are not at the 3-percent cap, they are at the 8-percent rate. There are many counties where 8 percent exceeds the increases in property value and they will not be at the cap. For all of those people this will be an absolute tax increase.

CHAIR MCCLAIN:

What is the amount of the increase?

CHAIR BEERS:

The amount of increase would be 1.05 cents per \$100.

MR. STEVENS:

Assembly Bill 493 is attempting to leverage additional federal dollars. To the extent the funds are not raised here, less federal dollars could be leveraged which is something you need to consider in your deliberations.

CHAIR BEERS:

It is part of the funds that are going to be spent on the 185 percent of poverty, pregnant women coverage and the middle-income free-insurance program or subsidized-insurance program.

ASSEMBLYWOMAN KOIVISTO:

The whole point behind this program is that for every 35 cents of state dollars, we get 65 cents in federal match. This is an opportunity to get back some of the federal dollars we are paying and are not getting back.

MS. FREED:

You received a memo concerning the deferred compensation committee budget on April 6. Staff, at that time, had some questions regarding the cost allocation in that budget and we were directed to further discuss it with the Budget Division and report back. Staff reported that we agreed with the Budget Division that the deferred compensation committee should pay the cost allocation. We also agreed that they could not, in this biennium, so the Department of Administration has agreed it will amend its contracts with deferred compensation vendors during the 2005-2007 biennium to reflect the fact that vendors will allocate funds to pay the cost allocation in the 2007-2009 biennium and every year thereafter. Approximately \$25,000 annually will be needed in the account to pay the anticipated cost allocation although the department might require vendors to allocate more.

CHAIR BEERS:

Mr. Abba, we are trying to figure out the extent of federal matching dollars available through the proposed combination of our indigent accident account, indigent motor vehicle account and the new HIFA waiver account. What we know is that the indigent supplemental account pays about 20 cents on the dollar for Nevada hospitals' unreimbursed indigent care costs. That calculation is based on build amounts and not on any kind of reasonable estimate. The indigent accident account had expenses of \$3 or \$4 million dollars during 2004. It pays the costs of uninsured indigent accidents after the counties pay the first \$3,000 on each claim. We step in after they have exhausted their budgets. Is the proposal to redirect this money going to make it possible to get a federal match for our indigent supplement money that goes to hospitals?

STEVE J. ABBA (Principal Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

The answer is yes, the HIFA medical budget is part of the Division of Health Care Financing and Policy General Fund appropriation. Actually there is a holding account which collects the General Funds and tax proceeds from the indigent supplement account, but it is a pass-through account. I am going to concentrate on the HIFA holding account. In the HIFA medical account there is the indigent supplement monies and the federal funding from the State Children's Health Insurance Program (SCHIP) Title XXI and Title XIX of the Social Security Act that would be matched by the General Fund. Federal Title XXI is a block grant. We receive about 68-percent federal money for a 32-percent state match. The Medicaid Title XIX monies are a 55/45 match rate. The General Fund appropriation and the indigent tax proceeds will act as a match for those two programs. This is the way the *Executive Budget* is built.

There will be modifications because we have some amendments that delay the start date for the pregnant women part of the program. We have General Fund and tax proceeds split evenly so about \$200,000 for FY 2006 would match approximately \$610,000 in federal funds. That estimated amount is low

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 15

because FY 2006 is a startup year and will have adjustments because of the amendments and some technical changes that staff will be making.

Second-year transfers from the HIFA holding account, including General Fund and tax proceeds, will amount to approximately \$5.5 million SCHIP Title XXI and about \$20.4 million Title XIX monies to fund the projected caseload starting in FY 2007. That caseload includes anticipated program costs serving approximately 2,000 pregnant women.

CHAIR BEERS:

Is that for families who have income between 135 percent and 185 percent of poverty?

MR. ABBA:

That is correct, and the provided services will be similar to services in what we call the SCHIP Medicaid program. The next component is employees of small employers. Small employers employ from 2 to 50 persons. For employees earning under 200 percent of poverty, there would be a state insurance subsidy provided in an amount up to \$100 with certain stipulations requiring the employer to participate in the insurance coverage with a minimum of 50 percent. The employee must have co-pays depending upon their income level.

The indigent supplemental account provides certain types of costs for medical services for certain types of individuals. The proposal under HIFA is for federal funding to cover medical costs for individuals up to 150 percent of poverty. That may fluctuate because the program is still under construction for what we call a catastrophic event which would be an accident or a major issue with long-term recovery. Catastrophic events would primarily be hospitalization costs and other generally-high expenses. The budget was built under the concept that an incident would cost up to \$200,000 which is why it is attractive to have HIFA help offset some of those costs. The indigent supplement account currently pays claims with their tax proceeds. Now we will be able to share those costs with the proceeds from Title XIX and Title XXI dollars. This whole concept is outlined in A.B. 493.

CHAIR BEERS:

We are budgeted for \$6 million a year in claims in the indigent supplemental account for the next biennium and that amount is not anticipated to change. Is combining our indigent supplement account and the indigent accident account into a new account, or into one of the HIFA waiver accounts, providing state match to programs you have just described? That account will then pay for the indigent automobile accident costs which are forecasted to be at least \$3 million a year. Any remaining amount in this new combined account would then be used for the indigent supplemental payments to hospitals based on the proportion of the whole.

MR. ABBA:

That is correct.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 16

CHAIR BEERS:

Can we receive a new federal match for the money we are spending on the indigent supplemental program?

MR. ABBA:

That will remain a component of the combined account.

CHAIR BEERS:

Yes, that is what we are currently doing.

MR. ABBA:

No, the only part that is contemplated is the part that would cover catastrophic events. Their eligibility requirements and exact services are still up in the air and would have to be developed through a waiver. It would be those costs that would be part of the waiver under the HIFA medical account. The way the HIFA medical budget is constructed, the level of expenditure on catastrophic-event coverage is capped at \$9 million a year. That amount can fluctuate depending on when you go through a waiver process. Through Medicaid, there are a number of federal requirements in order to become part of a new program such as eligibility standards and certain types of services. Even though a HIFA waiver allows flexibility, there are certain minimum requirements. That is why there is some uncertainty in terms of exactly how many cases under the catastrophic event issue would be covered as there are a number of assumptions. The combined indigent supplemental and accident accounts would still have responsibility for those types of activities that do not come under the HIFA waiver eligibility criteria that meet that catastrophic-event definition.

CHAIR BEERS:

One of the things we are trying to grapple with is the 1.5 cents of property tax that funds the indigent accident account and was not assessed in 2004. It was assessed in 2005. The property tax cap the Legislature just passed references 2004 as the base year. This adds the 1.5 cents into the tax rate, but falls inside the cap. A tax bill that is capped by our action and now includes 1.5 cents would presumably slightly reduce the amount of that tax payment that is distributed to all of the other components of the property tax bill.

MR. ABBA:

I am not that knowledgeable of the property tax issue.

CHAIR McCLAIN:

What does that 1.5 cents represent dollar wise?

CHAIR BEERS:

At an assumed 9-percent growth rate, statewide, it is \$11 million the first year and \$12 million the second.

We will hold further consideration of this pending our ability to summon Mr. Russell J. Guindon who is our LCB resident tax expert and tax cap expert. There are still questions on the impact of the relationship of the tax and the tax cap.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 17

ASSEMBLYMAN SEALE:

If this is a tax increase, and it is partially driving a two-thirds match, could it then be considered a tax decrease because it is driving a program that provides for a segment of the population not being served or is dreadfully underserved? If we had to try to provide those funds ourselves, it would take a lot of General Fund money. I would be less concerned, except it seems that the match is a fairly large match. I am not comfortable leaving that on the table.

CHAIR BEERS:

We will move to the taxicab authority budget. Please refer to page 8 of [Exhibit C](#).

BUSINESS AND INDUSTRY

B&I, Taxicab Authority — Budget Page B&I-221 (Volume II)
Budget Account 245-4130

E-275 Maximize Internet and Technology — B&I page 224
E-277 Maximize Internet and Technology — B&I-225
E-720 New Equipment — B&I-226
E-810 Other Salary Adjustments — B&I-227
E-902 Transfers — B&I-229

Joyce Garrett (Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

There is one budget to close today for the Department of Business and Industry and that is B/A 4130. The Taxicab Authority is a fee-funded agency. The one closing issue, on page 9 of [Exhibit C](#), is a recommendation for a new database system. Funding is coming from the agency's reserve. In the first year the amount is \$728,719 and \$60,132 in FY 2006-2007. This database is a TA Organizer System which is a commercial off-the-shelf (COTS) system that would integrate existing systems and support the issuance and tracking of taxicab medallions and provide the tracking of other data such as licenses, permits, citations, fine payments and vehicle inspections. The funding recommended by the Governor is based on historical information from as far back as 2002. Therefore, the implementation costs may not be accurate.

In response to the Subcommittee's questions regarding upgrading the existing Access and Dataflex databases in lieu of implementing a COTS system, the agency indicated that improvements to its existing databases have provided efficiencies, and further improvements would be considered as an alternative. However, a system is needed that would provide connectivity with the agency's dispatch system for tracking and documentation purposes. Utilizing an Access database may not support those capabilities needed.

The Subcommittee may wish to consider the following options: to approve the Governor's recommendation for funding of \$728,719 in FY 2006 and \$60,132 in FY 2007 for a COTS package; or the Subcommittee may wish to consider providing \$45,000 in initial funding that would update the existing requirements document and develop a Request for Proposal, which would be used for the competitive bid process. The received proposals would be evaluated and a vendor selected. After the vendor has been selected and a cost has been

identified, the Department could return before the Interim Finance Committee (IFC) to request the additional expenditure authority needed to complete the project. In lieu of approaching the IFC, the project could be put on hold until the 2007-2009 biennium.

Other closing items include decision unit E-277. The agency requests \$24,063 in funding over the biennium to purchase seven laptop computers for people who work in the field doing onsite audits and for taxicab inspectors. In decision unit E-720 there is a request to purchase a set of tools for \$11,090 to perform inspections on taxicabs in order to check brakes, steering systems, alternative fuel systems, transmissions and engines. On page 10, item 5 of [Exhibit C](#), there is a salary adjustment in decision unit E-810 representing \$15,843 in reserve funding for a two-grade pay increase for the public safety dispatcher III position. This was recommended by the Department of Personnel as a result of a job classification study. It includes two of the agency's four dispatcher positions. Finally, decision unit E-902 is no longer applicable since this is in direct correlation with the Business and Industry director's office budget for the centralization of their personnel function which was not approved. Therefore, staff has made the appropriate technical adjustments to eliminate this decision unit. There are other items under technical adjustments for the Subcommittee's consideration.

CHAIR BEERS:

I would accept a motion to close the Taxicab Authority budget with option b from the first closing issue, explained on page 9 of [Exhibit C](#), which would fund an initial study and designate the rest of the technology budget monies to IFC until the agency returns to tell us how little of those funds they actually need to accomplish their technology goals. The motion is to accept other closing items as recommended by staff, including budget amendment No. 49 in closing item No. 4, on page 10 of [Exhibit C](#), and all other technical adjustments.

MS. GARRETT:

The technology budget is fee funded and it has a reserve. The additional money would be funded from the reserve. Therefore, they would be funded for \$45,000 at this time. The remaining funds would be withdrawn from the reserve as approved by the IFC.

ASSEMBLYWOMAN MCCLAIN MOVED TO RECOMMEND TO THE FULL COMMITTEE TO CLOSE B/A 245-4130 BY ACCEPTING OPTION B ON PAGE 9 OF [EXHIBIT C](#) TO FUND AN INITIAL STUDY; TO DESIGNATE THE REST OF THE TECHNOLOGY BUDGET FUNDS TO IFC FOR ALLOCATION AFTER THE AGENCY RETURNS WITH AN ACCURATE PROPOSAL TO ACCOMPLISH THEIR TECHNOLOGY GOALS; TO ACCEPT OTHER CLOSING ITEMS AS RECOMMENDED BY STAFF AND GIVE STAFF THE AUTHORITY TO MAKE TECHNICAL ADJUSTMENTS.

ASSEMBLYMAN HETTRICK SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

* * * * *

CHAIR BEERS:

We will return to the budgets for the indigent supplemental account and indigent accident account on pages 5 and 7 of [Exhibit C](#).

RUSSELL J. GUINDON (Deputy Fiscal Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

You have asked about NRS 428.185 concerning the 1.5-cent tax. The way that works is you take the 1.5 cents times the total taxable property and determine how much would be generated. Then you subtract from that number the amount that is currently unencumbered. You will then try to set the rate to hit the difference.

Staff has been asked to determine if the potential rate would be less than the amount generated under [A.B. 489](#), the property tax relief measure. That is a correct statement because the indigent rate would be inside the capping mechanism under the provisions of [A.B. 489](#). Just like any of the other rates, that is part of the combined rate a property taxpayer pays. As it goes through the capping provisions, potentially less revenue would be generated than what it was calculated to generate under the language that is in NRS 428.185.

CHAIR BEERS:

Let me restate our question. The 1.5 cents was not assessed in 2004. It was assessed in 2005. We are proposing that we continue to assess it in 2006 and 2007 under the Governor's budget. By assessing it in 2006, post our tax cap, are we decreasing the proceeds from a capped tax bill for a citizen that will be allocated to all of the other line item components of the property tax in that county or jurisdiction?

MR. GUINDON:

The property tax gets confusing when we refer to years. The tax bill is determined on the roll for the 2004 calendar year that will be sent in July of 2005 for FY 2006. If the 1.5 cents was not imposed in 2004 and it was on your tax bill for FY 2005, it would be imposed now. If it was inside the cap, then it would end up taking revenue away from the other rates that are part of the combined rates in each taxing district.

CHAIR BEERS:

Was the cap based on calendar 2004?

MR. GUINDON:

No, we used the roll that closes at the end of calendar year 2004 to set the cap. Then it can be reopened and adjustments can be made to it. It is that value of your property that the county assessor gives to the treasurer and that is what your bill will be based on. Now, under the provisions of [A.B. 489](#), we need to calculate what your capped bill will be. Had your bill gone up more than 3 percent, you would be capped back at the 3-percent level if you are in a single-family owner-occupied residence. That value is the assessment, in terms of the bill you will be mailed in July 2005, which will provide revenues for FY 2006 for the local governments.

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 20

CHAIR BEERS:

It is our understanding that this particular 1.5 cents was not charged in FY 2004. Would it have been charged in the 12 months ending on June 30, 2004?

MR. GUINDON:

I do not know enough about the individual rates that make up the combined rates because, for a particular district, there are numerous rates that comprise the combined rate a taxpayer pays on their real property.

CHAIR BEERS:

If this 1.5 cents was not assessed in 2004 and it will be assessed in 2006, is it your opinion that the 1.5 cents would have the effect of decreasing the proceeds to all of the other line item components of property taxes?

MR. GUINDON:

I need to clarify one thing you stated. If the 1.5 cents was not imposed in FY 2004, but now it will be imposed in FY 2006, did we skip a year? Was it imposed in 2005?

CHAIR BEERS:

It was.

MR. GUINDON:

If the 1.5 cents was imposed in FY 2005 and it is being imposed now, the answer is no. It would not take revenue from the other components but it could potentially generate less revenue than what would have been estimated as the estimates were made under the provisions of NRS 428.185. If the rate was in effect last year and it is in effect this year, it would not take revenue from the other rates that are in that combined rate.

CHAIR BEERS:

There is a difference if the tax bill was paid for the three months ending June 30, 2005, or for the three months ending December 31, 2004.

MR. GUINDON:

The Department of Taxation, along with local governments, is trying to determine the rates. The revenues that would be generated to build their budgets would have been from calendar year 2004 to establish the rates and, thus, the liabilities for property taxes for FY 2005. Had the rates been in place in FY 2005, they would have been imposed for the entire fiscal year not just for part of a fiscal year.

CHAIR BEERS:

If calendar year 2004 is your point of reference, then the rate was imposed on half of that calendar year but not imposed on the other half of 2004.

MR. GUINDON:

I would have to research that point. I do not know enough about some of the smaller aspects of those rates. It would be strange that a rate could be imposed for part of a fiscal period. I do not know how that would affect the Department of Taxation and the local governments when they are building their budgets. If

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 21

the rate was imposed, it would have been part of the tax bill that was sent in July 2004 thus determining the revenues that would be generated for that fiscal year period. It is true that property taxes can be paid on a quarterly basis, but the total would have been part of the bill that was sent in July 2004 for FY 2005. I would have to confirm this with people more knowledgeable about these tax rates.

CHAIR BEERS:

The 1.5 cents was not a component of the tax bills sent in July 2003 for FY 2004.

MR. GUINDON:

If the 1.5 cents was part of the tax bill in July 2004 for FY 2005 and it is posed again, yes, the rate is there in both years. Therefore, it could potentially generate less revenue than what was estimated. Since it was online in both years, it would not be a new rate that would take revenue from the other existing rates also imposed in both years. If the rate was imposed in FY 2005 and it is going to be imposed in FY 2006, it would not take revenue from the other existing rates.

CHAIR BEERS:

Can you double-check on this? The 1.5 cents was not imposed for the first 6 months of calendar 2004, but it was imposed for the second 6 months. My question is whether or not imposing it now, because of the cap, reduces the proceeds in any way to all of the other components of the property tax. We understand its proceeds could well be reduced by the cap; that is not at issue. If the 1.5 cents was not included in your base and we add it in now and the bill itself is capped, would it reduce the proceeds to all of the other components of the property tax bill?

CHAIR MCCLAIN:

The new growth that is going to be added to the tax rolls and is being added at market value should make up for any decrease in revenue. Will you also research this?

SENATOR COFFIN:

I suggest we close this budget as originally recommended by the Governor. The amount of the assessment would only be about 2 cents or 3 cents more a year.

SENATOR COFFIN MOVED TO RECOMMEND TO THE FULL COMMITTEE
TO CLOSE B/A 628-3245 AS RECOMMENDED BY THE GOVERNOR.

ASSEMBLYWOMAN MCCLAIN SECONDED THE MOTION.

CHAIR BEERS:

Home owners in the State of Nevada did not pay this tax, or they paid half of this tax in the biennium we are just closing. This budget proposes that they pay double what they paid this biennium for this tax.

THE MOTION PASSED. (SENATOR BEERS VOTED NO.)

Joint Subcommittee on General Government
Senate Committee on Finance
Assembly Committee on Ways and Means
May 13, 2005
Page 22

CHAIR BEERS:
There being no further business, we are adjourned at 9:34 a.m.

RESPECTFULLY SUBMITTED:

Lora Nay,
Committee Secretary

APPROVED BY:

Senator Bob Beers, Chair

DATE: _____

Assemblywoman Kathy A. McClain, Chair

DATE: _____