

MINUTES OF THE
SENATE COMMITTEE ON FINANCE

Seventy-third Session
June 5, 2005

The Senate Committee on Finance was called to order by Chair William J. Raggio at 8:55 a.m. on Sunday, June 5, 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:

Bob Atkinson, Senior Program Analyst
Mindy Braun, Education Program Analyst
Gary L. Ghiggeri, Senate Fiscal Analyst
Bob Guernsey, Principal Deputy Fiscal Analyst
Sandra Small, Committee Secretary

CHAIR RAGGIO:

We will begin with Senate Bill (S.B.) 521.

SENATE BILL 521: Makes appropriations to Division of Parole and Probation of Department of Public Safety and to State Board of Parole Commissioners for installation of and expenses relating to closed-circuit security systems. (BDR S-1487)

SENATOR BEERS MOVED TO DO PASS S.B. 521.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

CHAIR RAGGIO:

Senate Bill 522 was discussed yesterday.

SENATE BILL 522: Authorizes expenditures by agencies of State Government. (BDR S-1488)

SENATOR BEERS MOVED TO DO PASS S.B. 522.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

Does the Committee wish to discuss Assembly Bill (A.B.) 462?

ASSEMBLY BILL 462 (1st Reprint): Increases salaries of certain constitutional officers and provides for prospective increases in salaries of such officers and compensation of members of Legislature. (BDR 18-847)

SENATOR BEERS:

Yesterday I asked how the increases compare to the Consumer Price Index (CPI). The Committee has been provided with a copy of Calculation to Determine Increase Proposed to Elected Officials Salary ([Exhibit C](#)). Staff did use the CPI to calculate the increase. The increases are in line with inflationary increases. Over the last eight years, the constitutional officers have not gotten a raise. If they had, this is where they would be.

SENATOR MATHEWS MOVED TO DO PASS A.B. 462.

SENATOR COFFIN SECONDED THE MOTION.

THE MOTION CARRIED. (SENATOR TITUS VOTED NO.)

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CHAIR RAGGIO:

Yesterday we authorized a bill draft to reduce the rate on the modified business tax from 0.65 percent to 0.63 percent. I am distributing a copy of BDR 32-1478 ([Exhibit D](#)).

BILL DRAFT REQUEST 32-1478: Reduces rate of tax on certain businesses. (Later introduced as [Senate Bill 523](#).)

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF BDR 32-1478.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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We will need to amend this bill, if it is adopted, to include the sunset at the end of the biennium.

SENATOR BEERS MOVED TO AMEND AND DO PASS AS AMENDED BDR 32-1478. (LATER INTRODUCED AS S.B. 523.)

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR COFFIN:

Is there a revenue impact of \$15 million in the next biennium?

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CHAIR RAGGIO:

The revenue impact will be \$14.5 million.

SENATOR COFFIN:

Will reduction of the business tax affect the funds available to help the Nevada National Guard and the reserves?

CHAIR RAGGIO:

It will reduce the amount of excess funding not yet appropriated.

SENATOR COFFIN:

Would it not reduce the one-shot availability?

SENATOR TITUS:

Passing BDR 32-1478 will reduce the amount of revenue available.

SENATOR COFFIN:

Will it reduce the funds available for the next biennium?

CHAIR RAGGIO:

Yes, it will.

SENATOR COFFIN:

My bill would be funded from the current \$606 million surplus. If I vote yes on this bill, will it affect the \$606 million surplus?

SENATOR TITUS:

This bill is for a two-year reduction. After that, the current rate would become effective.

CHAIR RAGGIO:

That is correct. It is a onetime biennium cut.

SENATOR TITUS:

I will vote to get this bill out of Committee. If this bill becomes part of a rebate plan to give more of the rebate to more people, based on the drivers' license proposal as opposed to the car registration, and we help business this way, I will continue to support this bill. If this is on top of the Governor's proposed rebate, I reserve the right to not support it on the Senate Floor. We will end up giving Nevada citizens miniscule amounts and businesses will get the major benefit. With the rebate and BDR 32-1478, businesses get a double rebate. If this becomes part of a compromise, I will support it. If it does not, I will change my mind.

SENATOR RHOADS:

I am going to vote against this bill. Senator Beers has done a good job analyzing the bill. I represent, geographically, 75 percent of the state. The only opportunity we have for improvements is one-shot appropriations. If the community tried to organize improvements, it would take a long time to save the money for these projects.

THE MOTION CARRIED. (SENATORS RHOADS AND COFFIN VOTED NO.)

CHAIR RAGGIO:

We will consider BDR S-1486. The Committee has received a copy ([Exhibit E](#), original is on file in the Research Library). It is ready for introduction and do pass.

BILL DRAFT REQUEST S-1486: Authorizes and provides funding for certain projects of capital improvement. (Later introduced as S.B. 524.)

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

This represents the Capital Improvement Program approved by this Committee on June 2. It is for the 2005-2007 biennium. In section 1 of [Exhibit E](#), there are General Fund appropriations of approximately \$81.8 million. These appropriations are allocated to the projects listed on pages 2 through 8 of [Exhibit E](#). Section 3 of [Exhibit E](#) contains a requirement for the Division of Forestry to repay the amount provided for the remodel and building of structures at the Las Vegas native plant nursery at 5 percent of the cost over 20 years.

Section 4 of [Exhibit E](#) includes a provision for the funding of capital improvement projects (CIP) of approximately \$211.8 million in general obligation bonds. This is in addition to the general obligation bonds previously approved by this Committee in earlier bills. The projects funded by the general obligation bonds are listed on pages 9 and 10 of [Exhibit E](#).

Section 5 of [Exhibit E](#) indicates the funding from the Bond Interest and Redemption Account will be reverted in four years which is consistent with what the Legislature has done for the past couple of biennia.

There is standard language in sections 6 and 7. Section 8 provides for a Highway Fund appropriation of approximately \$1.4 million. Section 9 provides for a reversion of those funds after four years.

Section 11 provides for the use of \$29 million in estate tax funding for projects at the University and Community College System of Nevada (UCCSN).

Section 12 provides for the authorized expenditure of approximately \$73.7 million not appropriated from the General Fund or the Highway Fund. The funds come from such sources as donations, fees and federal funds. For instance, the demolition of the office building in Las Vegas is funded by the Buildings and Grounds Division and the Las Vegas Readiness Center uses federal funds. A number of other projects are funded by UCCSN. Section 14 is basic language limited to the Las Vegas Readiness Center since there is some question as to when the funding would be received. Section 15 of [Exhibit E](#) requires the State Public Works Board to not execute construction of these projects until funding is secured from the outside sources.

Section 18, subsections 1 and 2, of [Exhibit E](#) provide for the ad valorem tax. The ad valorem tax of 15.85 cents supports the CIP. The "outside the cap" portion of 0.85 cents is added to the 1.15 cents in section 2 to equal 2 cents. It is similar to what was approved by the 2003 Session, 15 cents inside and 2 cents outside the cap.

Section 22 of [Exhibit E](#) provides for the transfer of funds between projects within the UCCSN. Section 23 provides for the use of \$5 million by the UCCSN from the Special Capital Construction Fund for Higher Education.

Sections 25 through 31 provide for the extension of projects discussed by the Committee on June 2, 2005. These projects have been started but not completed within the four-year time frame.

Section 32 of [Exhibit E](#) is the effective date of the legislation. Section 1, subsections 1 and 3 are effective upon passage and approval. Sections 2 through 31 are effective upon passage and approval. Section 1, subsections 2 and 4 are effective July 1, 2005. The split of the effective dates is required due to the availability of funding. The Governor recommended approximately \$52 million be funded in FY 2006. The Legislature funded approximately \$53.6 million in FY 2006 and approximately \$28.2 million in FY 2005.

The total CIP included in this legislation, funding from all sources, is approximately \$402.8 million.

CHAIR RAGGIO:

There was a decision made on the Grant Sawyer Office Building that we would approve the project, but there was some requirement that the Interim Finance Committee (IFC) approve the plans and final cost.

MR. GHIGGERI:

Section 7, page 11, of [Exhibit E](#) indicates the State Public Works Board will obtain approval of the type of new building exterior for the Grant Sawyer Office Building before expending any funds for that project.

SENATOR MATHEWS MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1486.

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

SENATOR MATHEWS MOVED TO DO PASS BDR S-1486. (LATER INTRODUCED AS S.B. 524.)

SENATOR TITUS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

CHAIR RAGGIO:

We have the "back language" for the appropriations bill. Staff has provided a copy beginning with section 33, page 17 ([Exhibit F](#), original is on file at the Research Library). Is this the language that has been used in the past?

MR. GHIGGERI:

That is correct. I will address the areas that have changed. The first change is on page 18, section 34 of [Exhibit F](#) dealing with the permissibility of transferring funding between fiscal years (FY). The accounts new to this section are the HIFA Holding Account, Rural Child Welfare, Clark County Integration, Washoe County Integration, Healthy Nevada Fund, Child Volunteer Background Check and High Level Nuclear Waste.

Section 35 is the same wording included in previous appropriations acts. It provides for the transfer of funds from year-to-year for specific programs for the Commission on Economic Development, Train Employees Now Program, The Department of Education for the National Board Teacher Certification Program, new teacher signing bonuses, Counselor National Board Certification, LEA library books, educational technology, proficiency testing, the state norm-referenced examination, high school proficiency examinations, criterion-referenced examinations and state writing proficiency examinations. Subsection 4, page 20, provides transferability for the AIDS Drug Assistance Program. This was added to the back language this year based upon the Committee's concern as to the availability of funding. There was a desire not to have waiting lists for the AIDS medication program. Subsection 5 provides for the transfer of funds by the Department of Taxation between fiscal years for the Unified Tax System. Subsection 6 has language similar to previous appropriations acts. Subsection 7 provides for the transfer of funds for the implementation of the Sage Grouse Conservation Plan.

Section 36 of [Exhibit F](#) is new this year. It provides for the transfer of funds for deferred maintenance projects. These are projects beginning with M-425 and, in the prison system, run up to M-438. It is limited to the projects identified in the maintenance decision units. This will provide for the availability of those funds in either FY 2006 or FY 2007 based upon approval of the IFC and the recommendation of the Governor.

Section 37 of [Exhibit F](#) provides for a General Fund appropriation of \$838,200 to the IFC for security enhancement equipment at the Southern Nevada Correctional Center. The Department of Corrections made this request and must provide a specific-detailed cost proposal to the IFC before the funding will be released.

Section 38 of [Exhibit F](#) provides for the appropriation of General Funds to the Nevada Supreme Court for the relocation of the Regional Justice Center in Clark County. They had the funding last biennium, but the project has experienced a few delays in completion.

Section 39 of [Exhibit F](#) represents General Fund appropriation of approximately \$934,000 for information technology projects. The Senate Subcommittee on General Government felt there was insufficient information to let these projects go forward without additional review. Certain plans need to be presented to the IFC to proceed and receive funding.

Section 40 provides a General Fund appropriation of \$204,670 in FY 2006 and \$377,642 in FY 2007 to the IFC for allocation to the Rehabilitation Division for caseload increases in the Bureau of Vocational Rehabilitation and the Bureau of Services to the Blind and Visually Impaired. There was some concern in the General Government Subcommittee that the funding be provided. There was

some past action where all funding authorized by the federal government had not been utilized resulting in hesitancy to provide General Funds now until the federal funds have been fully utilized.

Sections 41 and 42 are similar to previous back language.

Sections 43 and 44 of [Exhibit F](#) provide authority for the Welfare Division and Medicaid Services to transfer funds between various accounts with the approval of the IFC.

Section 45 is new language for the Division of Child and Family Services and the Division of Health Care Financing and Policy to transfer funds and positions between various budget accounts for implementation of the redesign of the children's mental health residential treatment services if recommended by the Governor and approved by the IFC.

Section 46 of [Exhibit F](#) is historic and provides for the transfer of funds between various budgets in the Department of Corrections so the dollars can follow the inmates.

Section 47 provides for the transfer of funds by the Department of Public Safety for information services costs.

Section 48 of [Exhibit F](#) is typical language for the implementation of the kiosk technology.

Section 49 provides for the transfer of funds for vacancy savings and various accounts within the same departments within the Executive Branch. The amount transferred is limited to the budget amount of vacancy savings.

Section 50 of [Exhibit F](#) requires UCCSN to comply with the Governor's request to set aside funding if fiscal emergencies occur. Section 51 allows the UCCSN to carry forward funds for known research grants that have been entered into so that money is available to continue the program between fiscal years.

Section 52 is the typical appropriation language to the Public Employees Retirement Board for the administration of the legislative retirement system.

Section 53 limits the appropriations made to the Tahoe Regional Planning Agency.

Section 54 of [Exhibit F](#) provides for the reversion of funds. Sections 55, 56 and 57 contain language historically included.

Section 58 of [Exhibit F](#) provides the final funding for this session's legislature. This funding, when combined with previous allocations, is a total of \$17.1 million for this legislature which is \$400,000 less than what was budgeted.

SENATOR BEERS:

Did some of this legislature's budget pay for the previous special sessions?

MR. GHIGGERI:

I do not have any information on that.

Section 59 of [Exhibit F](#) is a new section. It provides for the amount appropriated to the Commission on Economic Development (CED) in section 14 of this act to support grants to regional development authorities. The CED must retain a total of \$500,000 in FY 2006 and \$500,000 in FY 2007 for activities involving the inner city or blighted areas within Clark County. These funds may be utilized by organizations including the Urban Chamber of Commerce and Latin Chamber of Commerce upon submittal of a detailed plan to the Nevada Development Authority (NDA). The NDA will review the plan and make a recommendation to the CED for allocation of these funds to assist economic development activities in the inner city or blighted areas within Clark County.

This funding is being deducted from the funds that were recommended by the Governor for the NDA and will not result in any reductions in funding that was recommended by the Governor for the Economic Development Authority of Western Nevada.

Sections 60, 61, 62 and 63 contain language that has been included in previous legislation.

SENATOR COFFIN:

Section 63 is the provision for the Governor to order the Nevada National Guard into active duty. We allow them a temporary advance, which is \$25,000 for each activation, for the whole department. Is there anything in here for family assistance?

MR. GHIGGERI:

No, there is not.

Staff recommends an increase from \$60 million, in the 2005 biennium, to \$70 million, for the 2007 biennium, as indicated in section 64, subsection 2 of [Exhibit F](#). That is about 2.5 percent of ongoing operations.

Sections 65, 66 and 67 of [Exhibit F](#) are consistent with previous appropriation acts.

CHAIR RAGGIO:

Are there any questions on the back language? We are not going to approve the bill at this time. We will assume these are appropriate sections to be included in the appropriations bill when it is introduced and recommended for passage. Is there anything else?

MR. GHIGGERI:

I have some amendments to review and will get them to you. Staff is reviewing the Distributive School Account (DSA) and class-size legislation.

CHAIR RAGGIO:

It is my understanding we need an amendment to [S.B. 95](#).

[SENATE BILL 95](#): Makes appropriations to Fund to Stabilize the Operation of the State Government. (BDR S-1205)

MR. GHIGGERI:

The amendment to [S.B. 95](#) is being reviewed. The Governor recommended a payment to the Fund to Stabilize Operation of State Government (rainy day

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fund) of \$3 million in FY 2006 and \$68 million in FY 2007. Staff is recommending \$37 million in FY 2006 and \$34 million in FY 2007 to equalize cash flow. There is no change in the total amount. Both provide for an appropriation to the rainy day fund of \$71 million.

CHAIR RAGGIO:

Does that bring the total in the rainy day fund to \$200 million?

MR. GHIGGERI:

The rainy day fund is about \$120 million. The appropriation brings the fund close to \$200 million.

CHAIR RAGGIO:

Is the DSA ready?

MR. GHIGGERI:

Staff is reviewing that bill.

CHAIR RAGGIO:

We will recess at 9:32 a.m.

The Senate Finance Committee is reconvened at 2:17 p.m. Staff is providing the Committee with information on the State Distributive School Account, BDR S-1491 ([Exhibit G](#), original is on file at the Research Library). This bill includes all of the agreements made in joint subcommittee and in the Committee.

BILL DRAFT REQUEST S-1491: Apportions State Distributive School Account in State General Fund for 2005-2007 biennium. (Later introduced as S.B. 525.)

BOB ATKINSON (Senior Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Section 1, subsection 1 of [Exhibit G](#) outlines the basic support guarantee for school districts for FY 2006. The estimated statewide average is \$4,486 per pupil. In FY 2004 it was \$4,295 and in FY 2005 it was \$4,424. Subsection 2 establishes the basic support guarantees for each of the 17 school districts. For the first time, we have added a column for the estimated ad valorem adjustment. Staff established the guarantees for purposes of doing the apportionment that is due August 1. The estimates of the property tax collections under the property tax relief act are not as firm as they have been in the past. We have made provisions for some adjustments depending upon how the property tax revenues are received.

CHAIR RAGGIO:

Are you referring to A.B. 489?

ASSEMBLY BILL 489 (4th Reprint): Provides for partial abatement of ad valorem taxes imposed on property. (BDR 32-1383)

MR. ATKINSON:

That is correct.

Subsection 4, page 3 of [Exhibit G](#), states the Department of Taxation, on or before October 1, 2005, will provide a certified total of the tax bills sent by all

counties representing the amount of ad valorem taxes to be received by each of the school districts. Based on that information, the Department of Taxation would recalculate the basic support amounts in the event the estimates of the property tax collection are incorrect. Subsection 6 specifies the amounts estimated for the property collections. Any variance from that would be accounted for in the recalculated basic support guarantees. The recalculated basic support guarantees would be used for the rest of the year so that the total for the entire year would be based upon the certified total amount.

Section 2 of [Exhibit G](#) establishes the basic support amounts for FY 2007. The statewide average is \$4,696.

Section 3, pages 7 through 9 of [Exhibit G](#) outlines specific allocations for special education out of the DSA.

Section 4, page 9, appropriates General Funds to the DSA in the amount of \$724,135,261 in FY 2006 and \$825,642,294 in FY 2007. As in the past, the DSA is allowed to transfer General Funds from one year to the other. Any remaining balance at the end of the first year of the biennium is balanced forward and funds not committed by June 30, 2007, would revert to the General Fund.

CHAIR RAGGIO:
Is the reversion language the same as usual?

MR. ATKINSON:
It is the same.

Section 5, page 10 of [Exhibit G](#) authorizes the expenditure of non-General Funds. There are revenues in the DSA such as the slot tax, the out-of-state local school support tax, leases on mineral lands, estate taxes and interest on the permanent school fund. As in the past, these funds are considered expended before any General Fund appropriation.

Sections 7, 8 and 9, page 12 of [Exhibit G](#) contain information regarding specific allocations such as the adult high school diploma program, counseling services for elementary school pupils and reserves. In FY 2007, funds are provided for the new youth offender facility at the Southern Nevada Correctional Center at Jean.

CHAIR RAGGIO:
Following the 1991 Session, Governor Bob Miller had to ask for budget reductions. The language in section 9 of [Exhibit G](#) accommodates a reserve.

SENATOR TITUS:
Would you explain the leases on mineral lands? There was a bill to take some of that money and give it to the counties instead of the DSA.

MR. ATKINSON:
Your question applies to section 5, page 10 of [Exhibit G](#). The funds included in the DSA are for leases. There was some consideration given for the portion of funds from the sale of federal lands, which goes to the DSA, going somewhere else.

CHAIR RAGGIO:

We had a hearing on that. There was a request by Nye County to redirect those funds.

MR. ATKINSON:

The funds from the sale of federal lands go into the permanent school fund, not the DSA. Only the interest from the permanent school fund goes to the DSA. There is about \$4 million each year in leasing revenue.

MINDY BRAUN (Education Program Analyst, Fiscal Analysis Division, Legislative Counsel Bureau):

Section 10 of [Exhibit G](#), provides funding for the regional professional development programs (RPDP). The RPDPs are recommended to receive \$10,132,421 in FY 2006 and \$10,310,364 in FY 2007. The Elko County School District is authorized to expend up to \$55,896 of the appropriation for FY 2006 for no more than four vehicles for the operation of the northeastern Nevada Regional Training Program. Section 11 provides \$100,000 in each fiscal year for the Legislative Bureau of Educational Accountability and Program Evaluation for an evaluation of the RPDPs. Section 12 provides \$100,000 in each fiscal year for the Statewide Council for the Coordination of the Regional Training Programs for additional training of administrators.

Section 13 of [Exhibit G](#) has an appropriation of \$6,818,788 for FY 2006 and \$7,089,336 in FY 2007 for remedial education programs for certain schools.

CHAIR RAGGIO:

This is the \$13 million fund established outside the \$100 million trust fund being established. The Committees' actions, jointly, were the money would be available for Grades 7 through 12. Is this consistent with what you understand?

MS. BRAUN:

Yes, it is. The money committees have not formally made the decision making it available to Grades 7 through 12.

CHAIR RAGGIO:

It is an understanding that will be accommodated in an Assembly measure.

SENATOR CEGAVSKE:

Do we need to have a Letter of Intent to specify Grades 7 through 12?

CHAIR RAGGIO:

I do not believe that will be necessary.

MS. BRAUN:

Section 14 of [Exhibit G](#) includes the appropriation for the early childhood education program of \$3,032,172 in FY 2006 and \$3,152,479 in FY 2007. The provisions in this bill parallel what was provided in the last session for a longitudinal evaluation. Subsection 5 of [Exhibit G](#) includes a new provision that the Department of Education will develop statewide performance and outcome indicators to establish minimum performance levels and increase the expected performance rates on a yearly basis.

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CHAIR RAGGIO:

Does section 14, subsection 4(a) contain continuing language?

MS. BRAUN:

Yes, that is existing language.

Reporting information for the Department of Education on the early childhood education programs are included on page 18 of [Exhibit G](#).

Section 15 of [Exhibit G](#) provides funding for the purchase of one-fifth of a year of service for certain teachers in the amounts of \$16,138,996 in FY 2006 and \$18,433,608 in FY 2007.

CHAIR RAGGIO:

Senator Coffin asked if this section was expanded to include librarians.

MS. BRAUN:

The section has not been expanded to include librarians. The section is for teachers in at-risk schools.

Section 16 of [Exhibit G](#) provides for high impact positions, which include math, science, special education, English as a second language and school psychologists, to receive one-fifth of a year of service. The amounts of those appropriations are \$9,369,907 in FY 2006 and \$9,763,443 in FY 2007.

SENATOR COFFIN:

There was a bill sponsored by Ms. Giunchigliani on this subject.

MS. BRAUN:

There was a bill looking at expanding the one-fifth retirement credit. It may still be in the Assembly.

SENATOR COFFIN:

If it does not move forward, can we amend it into this bill?

CHAIR RAGGIO:

If there are any attempts to amend this bill, we will be here far beyond the allotted time.

MR. ATKINSON:

The 2003 Legislature limited the amount for textbooks, instructional supplies and instructional hardware. Section 17 of [Exhibit G](#) includes \$88,274,315 in FY 2006 and \$93,423,414 for FY 2007.

CHAIR RAGGIO:

This also reflects an additional inflation factor.

MR. ATKINSON:

The textbook portion of that number was inflated at 4.66 percent.

SENATOR BEERS:

What was the reason for the increased inflation rate?

CHAIR RAGGIO:

It is not higher than inflation. The contention was that the Governor's budget did not include the rate of inflation.

MR. ATKINSON:

The Governor's recommended budget only included the growth in enrollment for textbooks. The Subcommittee looked at inflation for educational supplies and materials which averaged 4.66 percent over the last four years.

SENATOR BEERS:

That is almost twice the CPI.

MR. ATKINSON:

That is the CPI for textbooks and educational supplies.

SENATOR BEERS:

Is there a separate national CPI for textbooks and educational supplies?

MR. ATKINSON:

Yes, that is correct.

Section 19 of [Exhibit G](#) allocates \$81,663, each year of the biennium, for special transportation costs outside the school district. That only applies to Lyon County.

Section 20 amends *Nevada Revised Statute* (NRS) 287.1235. The current 75-cent property tax language is based on the assessed valuation of the property. Since the assessed valuations will not change but the amount of money collected will, the statute had to be changed to clarify that the local revenue portion, included in the DSA, is one-third of the tax collected as opposed to one-third of the assessed valuation.

CHAIR RAGGIO:

The existing language in this bill used a factor to compute local funds available. Why are we changing this language?

MR. ATKINSON:

Under property tax relief, the assessed value will continue to increase, but the collections may not. If we use 0.0025 multiplied by the assessed value, we would arrive at a higher number than one-third of the property tax collected.

SENATOR BEERS:

Was the action to cap assessed value?

CHAIR RAGGIO:

We capped the bill, not the assessed value.

MR. ATKINSON:

Section 21 of [Exhibit G](#) provides \$8,391,659 in FY 2006 and \$9,171,421 in FY 2007 for health insurance subsidies to retired school district employees. The amount was reduced from the Governor's budget based on the reduction in the supplemental appropriation. Assembly Bill No. 286 of the 72nd Session required local governments to subsidize their retirees participating in the Public Employees Benefits Program. Section 22 appropriates \$4 million to the IFC to be

allocated to the school districts for unanticipated health insurance for school district employees.

CHAIR RAGGIO:

Is this the section where we agreed to put \$4 million and have the IFC evaluate the necessity and plan for funds requested?

MR. ATKINSON:

That is correct. The rest of the language is the same language used for the \$5.7 million for the same situation last session.

SENATOR BEERS MOVED FOR COMMITTEE INTRODUCTION OF BDR S-1491.

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR BEERS:

There are components of our K-12 education funding that are not in the DSA, such as S.B. 404.

SENATE BILL 404: Creates Commission on Educational Excellence. (BDR 34-1365)

CHAIR RAGGIO:

That is correct. I understand there is an amendment pending.

THE MOTION CARRIED UNANIMOUSLY.

SENATOR BEERS MOVED TO DO PASS BDR S-1491. (LATER INTRODUCED AS S.B. 525.)

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

CHAIR RAGGIO:

Earlier we approved BDR 32-1478, which has been introduced as S.B. 523. Amendment No. 1207 will provide an expiration date of June 30, 2007. I will accept a motion on Amendment No. 1207 to S.B. 523.

SENATE BILL 523: Reduces rate of tax on certain businesses. (BDR 32-1478)

SENATOR CEGAVSKE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 523 WITH AMENDMENT NO. 1207.

SENATOR MATHEWS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

CHAIR RAGGIO:

The Committee voted to amend and do pass S.B. 203. Amendment No. 1199 requires baseline hepatitis testing for certain groups.

SENATE BILL 203: Revises provisions governing benefits for occupational diseases contracted by certain peace officers. (BDR 53-1078)

SENATOR CEGAVSKE MOVED TO AMEND AND DO PASS AS AMENDED S.B. 203 WITH AMENDMENT NO. 1199.

SENATOR BEERS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

CHAIR RAGGIO:

The Committee had a discussion on May 18 regarding the Secretary of State's concern about the salaries of enforcement positions in the Securities Division of the Secretary of State's Office. Staff recommended this issue be studied by the Department of Personnel during the interim to be addressed in the upcoming biennium with a report to the IFC on the reclassification of the positions. I suggest we authorize a Letter of Intent to the Department of Personnel requesting the study be done along with a report to the IFC.

SENATOR RHOADS MOVED TO ISSUE A LETTER OF INTENT INSTRUCTING THE DEPARTMENT OF PERSONNEL TO STUDY THE SALARIES OF ENFORCEMENT POSITIONS IN THE SECURITIES DIVISION OF THE SECRETARY OF STATE'S OFFICE AND PRODUCE A REPORT TO THE IFC DURING THE 2007 BIENNIUM.

SENATOR CEGAVSKE SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

CHAIR RAGGIO:

Senate Bill 95 authorizes the appropriation included in the Governor's budget for the rainy day fund. The appropriation would increase the fund to approximately \$200 million. There is a necessary amendment.

MR. GHIGGERI:

Amendment No. 1201 to S.B. 95 recommends an appropriation of \$37 million in FY 2006 and \$34 million in FY 2007. The amendment is necessitated for cash flow reasons and the way the budgets were closed. The appropriation is the same total as the Governor recommended, but differs in the annual allocation. Staff also recommends that NRS 353.288, the trigger for the rainy day fund, be increased from 5 percent to 10 percent of ongoing appropriations. Senate Bill No. 8 from the 20th Special Session included a provision that reduced the trigger to 5 percent. A 5-percent ending fund balance is too low. Staff recommends between 5 percent and 10 percent ending balance be maintained and the trigger not go off until the ending fund balance is above 10 percent. Included in this amendment is the repeal of sections 188 and 188.3

of S.B. No. 8 of the 20th Special Session which is the fund for tax accountability. Based upon the transfer of funds to the rainy day fund that has occurred just recently and what is proposed for the next biennium, this fund is probably not necessary. Also included in this amendment is some cleanup language for the Disaster Relief Account and the Disaster Relief Subaccount. Senate No. Bill 8 of the 20th Special Session combined those accounts into the rainy day fund. There has been some confusion between the accounts because they were not created as subaccounts within the rainy day fund.

CHAIR RAGGIO:

I will accept a motion to amend and do pass S.B. 95 with Amendment No. 1201.

SENATOR BEERS MOVED TO AMEND AND DO PASS AS AMENDED S.B. 95 WITH AMENDMENT NO. 1201.

SENATOR CEGAVSKE SECONDED THE MOTION.

SENATOR COFFIN:

Is this enough for the rainy day fund? There is a large increase in the budget and there is uncertainty in the economy. This budget is similar to 1991. When the economy went downhill, it ruined our mental health programs. Would you accept an amendment to increase the size of the rainy day fund to a larger number?

CHAIR RAGGIO:

In 1991, we had a "game" where everyone tried to outdo one another. There was no limit on what could be expended, recommended or appropriated in a final budget. As a result, we passed a budget that was not properly funded. That is the reason an Economic Forum was established. The Forum puts a limit on what the Executive and Legislative branches can expend in General Funds. With respect to the amount going into the rainy day fund today, we have worked assiduously over the years to establish and increase the fund. No one could have foreseen the September 11 events. The Governor and this Legislature are working responsibly to see that it is funded at least to the \$200 million level. I agree with Senator Coffin. Who can know if that amount will be adequate to meet a catastrophe? We are trying to close budgets now. There is only one major appropriation under consideration, the rebate proposal. I do not see any source of funding to increase the rainy day fund at this time.

SENATOR COFFIN:

That is a sensible response. The climate is not unlike 1991. We have had a lot of bidding for expenditures to curry favor with the public; we have seen measures introduced to lower taxes. There is nothing different between this Legislature and the 1991 Legislature except that we have a huge surplus. I have proposed paying cash for buildings that we are going to borrow money to build. I have not made a motion to increase the size of the rainy day fund because I wanted to see if there would be an agreement from the maker and seconder of the motion. They have participated in asking for and receiving appropriation bills to help projects they feel are important. I do not know how they feel about taxes except Senators Beers and Cegavske have voted to cut taxes. We have this surplus everyone wants to give away in order to be popular. I need to know if there is any appetite to put money in the rainy day fund.

SENATOR BEERS:

The rebate is not just a matter of political popularity. There is sound fiscal and economic theory behind it. It is a good thing for Nevadans.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

The Committee reviewed a list of the proposed projects to be funded with what is termed as the Senate's share of the available room tax money. Please look at Amendment No. 1206 to S.B. 314 which reflects this Committee's action. The authorization to use the room tax money available to the Senate for appropriation is contained in Amendment No. 1206.

SENATE BILL 314: Makes appropriation to Atomic Testing Museum in Las Vegas for educational program. (BDR S-468)

MR. GHIGGERI:

That is correct.

SENATOR TITUS MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 314 WITH AMENDMENT NO. 1206.

SENATOR RHOADS SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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CHAIR RAGGIO:

We still need final action on the unclassified salary bill which we do not have. We discussed the back language for the appropriations bill. A list is being compiled of the projects that may be available for funding from the Senate's share of any unappropriated funding. As soon as that list is agreed upon, we will submit it to staff for inclusion in the appropriation bill or in a separate bill.

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The meeting was recessed at 3:06 p.m. and subsequently adjourned at 6:39 p.m. at the call of the Chair.

RESPECTFULLY SUBMITTED:

Sandra Small,
Committee Secretary

APPROVED BY:

Senator William J. Raggio, Chair

DATE: _____